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Coping with complexity.

Cross-border cooperation between

The Netherlands and Germany

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Cross-border cooperation between
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List of Abbreviations

AEBR	Association of European Border Regions
CBC/cbc	cross-border cooperation
CEC	Commission of the European Communities
CF	Cohesion Fund
CFSP	Common Foreign and Security Policy
CI	Community Initiative
CIP	Community Initiative Program
CLRAE	Congress of the Council of Europe
CoR	Committee of the Regions
CoE	Council of Europe
CSG	Community Strategic Guideline
DG	Directorate-General
EAEC/Euratom	European Atomic Energy Community
EAFRD	European Agricultural Fund for Rural Development
EC	European Communities (before 1992) or European Community (after 1992)
ECA	European Court of Auditors
ECJ	European Court of Justice
ECU	European Currency Unit
EDC	European Defense Community
EDR	Ems Dollart Region
EEC	European Economic Community
EFF	European Fisheries Fund
EIB	European Investment Bank
EMR	Euregio Maas-Rhine
EMU	European Monetary Union
EOC	European Outline Convention
EP	European Parliament
ESF	European Social Fund
ERDF	European Regional Development Fund
ermn	euregio rhine-maas-north
EU	European Union
EUR	EUREGIO (Gronau)
ERW	Euregio Rhine-Waal
ESCS	European Coal and Steel Community
ETC	European Territorial Cooperation
EZ	Ministerie van Economische Zaken/ Dutch Ministry of Economic Affairs
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNP	Gross national product
INTERREG	Interregional cooperation / International Regions initiative
IMF	International Monetary Fund
JHA	Justice and Home Affairs
JTIS	Joint Technical INTERREG Secretariat (EDR, EUR, ERW, erm)
MLG	Multi-Level Governance

MWEBWV	Ministerium für Wirtschaft, Energie, Bauen, Wohnen und Verkehr (NRW)
NCBR	Nijmegen Centre for Border Research
NUTS	Nomenclature des Unités Territoriales Statistiques
NRW	' <i>Bundesland</i> ' North Rhine-Westphalia
OEEC	Organization for European Economic Cooperation
OECD	Organization Economic Cooperation and Development
OEEC	Organization for
OP	Operational Program
PA	Principal-Agent
PIIP	"People II People" (framework-project within INTERREG)
QMV	Quality Majority Voting
SEA	Single European Act
SME's	Small and Medium Enterprises
TEU	Treaty on European Union (1992) also called "Maastricht Treaty"
TO	Technisch Overleg at e.g. the ERW
VROM	Ministerie van Volkshuisvesting, Ruimtelijke Ordening en Milieu /Dutch Ministry of Housing, Spatial Planning and the Environment
WEU	Western European Union

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1. Introduction

The topic of national borders have received a great deal of attention in the recent decades. Generally, borders are thereby understood as divisions between political, economic, cultural and community systems which coincide with the borders between states (cf. Van Houtum 1993). Together with the issue of borders, border regions and border areas have also received a great deal of attention. However, it was and still is difficult to define border regions and border areas.¹ Very generally, border regions are areas which straddle national borders. However, “the landscape of the border zone – its morphology and potentials – has [...] so far received little or no attention in European policy documents and empirical analyses” (Van Houtum, Van der Bruggen et. al 2013: 139). Some border scholars talk of cross-border regions in which the borderlands of the EU have been transformed over time, mainly due the influence of European funding. They define cross-border regions as highly structured political projects and institutionalized regions, the main goal of which can be summed up, rather provocatively, as a way to acquire European funding (cf. Scott 2000 and Van der Velde 2000 in Strüver 2004: 20, 74, 95). In the early stage of European funding for cross-border cooperation in the early 1990s, the European ideal was clearly discernible in the arguments of the European Commission that border regions should associate with each other simply because they share the same types of problems and because working across borders can benefit the regional economy on both sides of the border (Van Houtum and Ernste 2001: 103). One of the most influential European programs to work across borders is the current European Territorial Cooperation, formerly known and unofficially still called INTERREG.

¹ Actually, defining ‘regions’ more generally has been the subject of some discussions among geographers since the early 1980s, including reflections on the meaning of regions in social, cultural and economic terms. Paasi (2001) states that in the discussion on regions, too little attention has been paid to the questions of what regions are and how they operate. He states that “[i]t seems to be common to take the idea of the region for granted [...]” and that a basis for comparing regions “by developing abstractions that could make visible the common elements of regions” should be found. He makes an analytical distinction between four simultaneous aspects, which are the formation of territorial, symbolic and institutional shapes of a region alongside “its establishment as an entity in the regional system and social consciousness of the society concerned” (Paasi 2001: 16).

This dissertation looks back on the cross-border cooperation programs that have been developed in the EU starting in 1989/1990. The long way to establish such programs for cross-border cooperation and in a broader sense to establish a European wide regional policy wherein cross-border cooperation is embedded will also be in the focus of attention of this dissertation.

The aim of this dissertation is to explain how the administrative complexity in European funded cross-border cooperation has developed over time.²

It is clear that in the EU cross-border cooperation increasingly has become an interesting and relevant issue. For one, around 37.5% of Europe's population lives in border areas and border regions cover almost 40% of the EU's land area (CEC 2001 (a): 34; European People's Party 2011 webpage access 09.05.2011; interview 29 2012). These statistics mean that the current discussions and negotiations concerning the European Territorial Cooperation (ETC) are affecting at least one third of Europe's population. With a budget of €8.7 billion for the program period of 2007-2013 – and the strand of cross-border cooperation accounting for €5.6 billion – European Territorial Cooperation represents a small but important 2.5% of the overall budget of regional policy (European Commission DG Regional Policy 2012 (a) presentation; European Commission DG Regional Policy 2012 (b) presentation). The INTERREG program, though it is now officially called European Territorial Cooperation (ETC), derives its name from Interregional Cooperation or International Regions and is a financial Instrument of the European Regional Development Fund (ERDF) (cf. JTIS 2009). INTERREG is made up of three strands until 2006: Strand A: cross-border cooperation; Strand B: transnational cooperation; and Strand C: interregional cooperation (cf. CEC 2008). INTERREG Strand A has never sought to 'abolish' borders, but as expressed by one of the interviewees for this research: "INTERREG is a tool to ensure that constitutional borders are not economic borders. The idea is to abolish economic borders, while the constitutional borders remain as they are" (interview 34 2009).³

² The administrative complexity, is sometimes also called 'administrative burden' (Dutch: *administratieve lasten*; German: *administrative Belastungen*) and was proved specifically in the 'on-going evaluation' conducted by the Joint Technical INTERREG-Secretariat (JITS) of the Dutch-German Euregions in 2011. Within this questionnaire towards project participants and project partners of the Dutch-German cross-border program, 100 of 140 respondents answered with 'yes' towards the question if the INTERREG-program would lead to a disproportionate administrative burden (JITS 2011 (b): 1; 4; see also section 6.5.2).

³ Original quotation: "INTERREG is ervoor dat grondwettelijke grenzen geen economische

Another interviewee described it in this way: “INTERREG was introduced to accompany the internal market. INTERREG itself is not a useful tool for changing the differences between legal systems” (interview 8 2009).⁴ Generally, INTERREG/ETC is regarded as a program that seeks to foster cross-border economic cooperation in a broader sense and not as a means of rendering national borders obsolete.

Another reason why the issue of cross-border cooperation has become topical is that there is growing concern about the way cross-border cooperation funded by the European Union (EU) has developed over the years. In the Dutch-German border region, those directly involved in specific projects complain that both the application process for European funding as well as the implementation of funded projects have become increasingly difficult, hampered by ever more administrative requirements and procedures. Approval for INTERREG cross-border projects takes a great deal of time, as does administering projects (interviews 13, 14 and 15 2009; interview 33 2011; interviews 16 and 29 2012).

The greater the necessary investment in terms of time and expertise, the more likely it becomes that the same organizations will be able to apply for INTERREG funding successfully again, since they are already familiar with the complex rules (cf. JITS (2012) webpage, access 13.01.2013; cf. interview 34 2009). An indication of the increased difficulty in applying for projects and managing them is the fact that professional agencies are becoming involved more often. This may not be a new phenomenon in everyday EU policy making and administration but this is a major difference from the time when, without EU funding, cross-border cooperation in Dutch-German border regions was a matter of locally supported initiatives and a bottom-up process that aimed to solve practical problems and improve everyday life for people living on both sides of the border. According to Garrelt Duin, the current minister for economic affairs of North Rhine-Westphalia, the simplification of European subsidies is long overdue. He has made clear his wish to see less control and more relevant expert

grenzen zijn. Het idee is dat de economische grenzen verdwijnen, terwijl de grondwettelijke grenzen gewoon blijven zoals ze zijn” (interview 34 2009).

⁴ Original quotation: “Man hat INTERREG erfunden, um den Binnenmarkt zu begleiten. INTERREG selbst kann nicht die Unterschiede, die es im Rechtssystem gibt ändern“ (interview 8 2009).

assistance to improve the effectiveness and professionalism of cross-border projects in future programs (JITS 2013: 1).⁵

The concerns mentioned here do not apply only to the Dutch-German border region but to other regions as well, and they have reached the ears of policy makers and politicians in Brussels. Here, discussions about the implementation of the ETC are traditionally based on the question of to what extent either the European Union or the member states themselves are responsible. For example, Markus Pieper, a German MEP, states that funding for cross-border projects has not been spent in the right way in Italy, Greece and Germany.⁶ He questions whether or not there is any real need for financial aid from the European Union, especially when projects could also be financed nationally. His main criticism, however, concerns the lack of oversight on European projects and he talks explicitly of the failure of European checks and controls.⁷ In his opinion, the member states have often had too much leeway when it comes to implementing the programs (cf. Euractiv, web page 2011, access 05.07.2011; cf. interview 17 2012). For him, for the next program period, starting in 2014, simplifying the programs and maximizing efficiency and effectiveness of the funds ought to become central priorities.

Significantly, the European Commission, which is ultimately responsible for the work of EU funds, is also contributing to the discussion. The European Commission's DG Regional Policy, which is responsible for programs relating to cross-border cooperation, has long been searching for effective control mechanisms and quantifiable indicators and targets that can be applied to all European cross-border programs (cf. interview 10 (2012). A special publication called "Simplifying Cohesion Policy for 2014-2020" starts with the straightforward comment that "Simplification has been one of the most popular demands for the new cohesion policy" (CEC 2012 (b): 3).⁸ Apparently, the concerns

⁵ Garrelt Duin said this within a meeting for members and project(lead)partners in the Euregion Rhine-Waal in Kleve at the end of 2012 (JITS 2013: 1).

⁶ Markus Pieper is a German MEP (European People's Party), vice-chair of the European Parliament's Regional Policy Committee and in charge of drafting the Parliament's opinion on the future of EU cohesion policy (2014-2020) (Euractiv 2011, web page, access 05.07.2011).

⁷ Original quote: "Meiner Meinung nach hat die europäische Kontrolle ein Stück weit versagt" (Euractiv 2011, web page, access 05.07.2011).

⁸ Cohesion Policy has the aim to strengthen the economic, social and territorial cohesion of the Union (see also sections 5.4 and 5.4.1) (cf. European Commission 2011, web page, access 10.08.2011).

expressed by the border regions (as well as other European subsidy programs) have found a listening ear at the Commission and are being taken seriously.

This research project aims to look at the origins of the problems outlined above, which are resulting in an increased administrative burden on cross-border projects and increasing the need for better and more efficient control mechanisms on how European subsidies are spent. This will be done using the Dutch-German INTERREG program as a case study. This is one of the longest standing cross-border partnerships in Europe and is often seen as a role model. It provides an excellent research subject through which to analyze and explore in greater detail the complex and multi-layered process of current European cross-border governance and the increasing sense that a simplification of its structures is necessary.

1.1 Research question

This dissertation will analyze the increasing administrative burden and complexity associated with this program for cross-border cooperation and, as will be explained in greater detail later when; by focussing on the shifts in decision-making authority over time from the border regions to Brussels and to other levels of governance, the related issue of oversight. It will focus specifically on the former INTERREG I until IIIA programs (1989/90-2006) and the current European Territorial Cooperation (ETC) for stimulating cross-border cooperation (2007-2013) across the Dutch-German border.⁹

The case study will be guided by an analytical framework which is based on two important approaches in the current theoretical debates on the interdisciplinary research field of European Studies, when it comes to EU policy-making. The first dominant theoretical perspective is the Multi-Level Governance model (MLG). The term MLG has become commonplace in EU studies in recent years and is based on the idea that European cooperation has become increasingly dispersed and describes the development of authoritative decision-making across multiple territorial levels and the

⁹ The European Territorial Cooperation-program (ETC) of the funding period 2007-2013 is unofficially called INTERREG IVA, and in this dissertation will refer to INTERREG IVA as well as to ETC with similar meaning.

political action that occurs at and between various levels of governance. The subject of multi-layered working in European Structural Funds or cross-border cooperation is not entirely new (e.g. cf. Hooghe and Marks 2001; Hooghe 1996; Marks 1992, 1993; Marks et al. 1996: 386f.; Bache 2008 (a); 2008 (b) among others). Even the combination of MLG with cross-border regions is not totally new since Blatter (2001) compared the multi-level systems of several border regions in America as well as in Europe and since Marks and Hooghe (2004) noticed the multi-layered governmental structure and actors at several levels working together or acting in cross-border regions (cf. Blatter 2001; Marks and Hooghe 2004: 25). In the words of Marks and Hooghe:

“Governance arrangements that straddle national borders are usually functionally specific, and overlap with existing jurisdictions in order to solve particular collective action problems” (Marks and Hooghe 2004: 25).

What the MLG approach lacks, however, is a clear understanding of how the interaction between actors on different levels takes place; here there is only a very general mention of “a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional and local” (cf. Marks 1993: 392).

In the analytical framework that will be developed for the purpose of this case study, therefore, elements of a second approach are included; the Principal-Agent approach (PA). This approach generally sees the relationship between member states and international organizations in terms of a Principal-Agent relationship. Here, the most important factor is the extent to which an Agent, acting on the wish of the principal, is able to gain more relevant information and expertise and may thus become more independent from the principal and as such become more influential in the policy-making process. Compared to the MLG model, the Principal-Agent approach (PA) does a better job of clarifying the dynamics of the relationship between actors, mainly by focusing on the oversight and control mechanisms that result from a ‘shift of authority’ from the Principal to the Agent.

What both the MLG and PA approaches share is the basic assumption that international organizations have a more or less independent role vis-à-vis the member states (cf. Hooghe and Marks 2001: 76). As a result of this basic assumption, it is possible to

combine the MLG and PA approaches and make use of their complementary qualities. The fact that combining the two approaches could be very useful is illustrated by this case study of European cross-border cooperation. It would have been something of a puzzle for each of these approaches individually, but can be successfully analyzed if we combine them. In European cross-border cooperation as well as in European Structural Funds in general, there has been a 'shift of authority' from national governments to the European Commission and then from the Commission back to national (the Netherlands) and regional (Germany) tiers of government, as well as to subregional authorities and the Euregions, with the development of the EU cross-border INTERREG program.¹⁰

In using key insights from the MLG and the PA frameworks, this research aims to explain the process of the increasing delegation of authority in respect to cross-border policies from the supranational EU level by the European Commission back to the subnational border regions that had initially taken the initiative in setting up cross-border projects. In fact, the Euregions on the Dutch-German border have evolved into intermediaries that initiate and support projects financed by the European Union.¹¹ They were established through a 'bottom-up' process. Over time, the role of the Euregions has shifted from being initiators that stimulate cross-border cooperation (during what is known as the 'pre-INTERREG era') to being full partners of the European Commission. The inflow of European money, directives and regulations came from 'Brussels' and has increased over time. This research aims to investigate the effects of this historical development. Furthermore, I will analyze the advantages and disadvantages of the structure that has developed, and ask whether improvements could be made in future.

The research-question of this dissertation is formulated as the following:

To what extent can the growing complexity and administration within the Dutch-German INTERREG program be explained by a combined MLG-Principal-Agent model?

¹⁰ The separate levels of governance that will be used in this research will be defined in chapter 3.

¹¹ This dissertation uses the term 'Euregion'. Scott and Collins (1997) in Scott (2000: 105) explain, the term 'Euregion' as similar labels such as 'Euregios' or 'Euroregions'. The term 'Euregion' will be used within this dissertation to refer to the institution itself rather than the border-area which is covered by a particular Euregion.

To answer this central question, it will be necessary to examine the following sub-questions concerning Dutch-German cross-border cooperation:

- How is authority for conducting and implementing of the programs split between the subregional, regional, national and supranational levels when it comes to cross-border cooperation and regional policy and how has it developed from the first post-war cross-border initiatives to discussions about the next program period in 2014?
- To what extent have shifts in authority and the location of expertise led to changing oversight mechanisms relating to decision-making procedures?
- What has been the influence of these developments on the day-to-day practice of the cross-border cooperation within the Dutch-German INTERREG system?

Fundamental to this research are the 'shifts of authority' from the member states towards 'Brussels' (especially towards the European Commission) within the overall development of European integration, but also from 'Brussels' back to the border regions – as a development of an increasingly detailed system of Structural Funds and finally within the development of programs for the financial stimulation of cross-border cooperation. It is these 'shifts of authority' that bring in an area of the academic debate that has not so far been the subject of much attention, even though it is potentially important in theoretical terms and could add significantly to the further improvement of analytical models that may help us to understand European and cross-border governance.

The conclusions of this research project could yield useful insights into the opportunities for the practical improvement of cross-border cooperation. It also aims to gain better insight into and understanding of the interests, positions and regulations of each governance-level involved in INTERREG for cross-border cooperation.

1.2 Existing research and terminology

In research fields such as Human Geography, Spatial Planning, Political Science, Economics, a great deal of research has been conducted on internal European borders, cross-border cooperation, and the set-up, responsibilities, and activities of the organizations that coordinate cross-border cooperation – the Euregions. When it comes to the Euregions, much research has focused on the functioning, constitution, history, tasks and cooperation of these institutions or organizations, on borders in general and also on the European financial instrument of INTERREG in the field on border studies (cf. Ernste 2010; Ernste, Van Houtum and Zommers 2009; Van Houtum and Gielis 2006; Van Houtum, Kramsch and Zierhofer 2005; Williams and Van der Velde 2005; Van Houtum and Van der Velde 2004; Danielzyk, Ernste and Jung 2004; Van Houtum and Van Naerssen 2002; Kramsch and Hooper 2004; Van der Velde and Van Houtum 2003; Van Houtum and Van der Velde 2000; Scott 2000). Some border study researchers have also explored in detail the Dutch-German Euregions and cross-border cooperation work and how INTERREG is being put into practice at the Dutch-German border (cf. Scott 2000 in Van der Velde and Van Houtum 2000; cf. Perkmann 1999; 2003; 2005; 2007; cf. Miosga 1999; Raich 1995).

Different authors have taken different approaches towards cross-border cooperation. In the literature on (Dutch-German) cross-border cooperation that has taken place through the Dutch-German Euregions, those border-areas are often considered to be test cases (*'proeftuinen'*) for European integration (cf. Schuurman 2002: 103). Because of its long tradition of working across the border, the Dutch-German cross-border region in particular is often seen as a kind of pilot scheme for European borderland integration (Strüver 2004: 117) (see also chapter 6). Van der Velde and Van Houtum (2003) summed up the “governance of regions along and across the borders” by saying that:

“Building a cross-border cooperation structure within the framework of the EU is based both on subregional initiatives as well as supporting measures from national and EU institutions, which results in a complex multi-level and multi-thematic framework of formal and informal institutions” (Van der Velde and Van Houtum 2003: 5-6).

Map 1: The Dutch-German border region

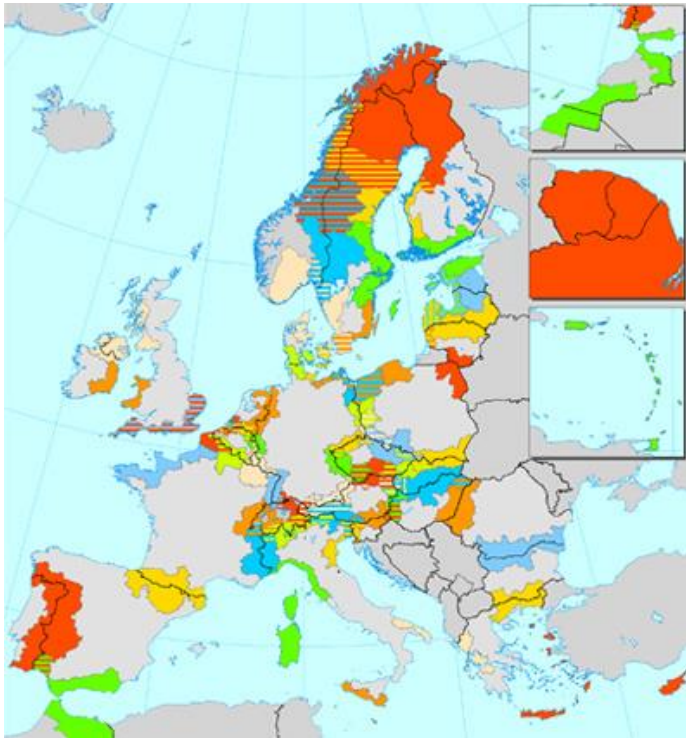


(Source: JITS 2012)

Legend: the yellow areas are subsidie-areas that can be funded directly, the light yellow areas are so called 'neighbouring areas'. In those areas European funding is possible under particular circumstances with a maximum of 20% of the total amount of the budget of one operational program (cf. Council 2006 No 1080/2006 Art. 21).

In a similar vein, Scott (2000: 104) states that “[...] Euroregions, local associations of interstate cooperation, have been systematically established within and without the European Union as formal instruments aimed at promoting continuity and a sense of strategic direction in cooperation.” In the case of the Dutch-German border, the Euregions were not established systematically and neither were they part of a systematic plan by the European institutions. They were grass-roots initiatives that sprang up in the border region itself. However, Scott may be right for many of the institutions created later for cross-border cooperation along other European borders. Those were established when European funding was set aside specifically to stimulate cross-border cooperation from 1989-1990 onwards. As a consequence, cross-border institutions were founded throughout Europe in the 1990s with the task of implementing European-funded projects and later programs. During the 2007-2013 funding period, European cross-border regions were funded as shown on *map 2*.

Map 2: EU-funded cross-border regions (2007-2013)



(Source: European Commission 2013, web page, accessed 27.06.2013)

Legend: The single program-areas all have a different colour, same colours throughout the map do not mean that there is any connection between those same coloured areas. The areas where two colours are mixed means that more than one programs are implemented at that particular areas.

The term 'cross-border cooperation' can be considered as a kind of umbrella concept that includes 'trans-frontier' as well as 'territorial cooperation' between sub-national authorities in the various countries involved (Palermo 2011).¹² The Council of Europe (CoE) uses the term 'trans-frontier cooperation' and this term includes cooperation between neighboring territories or transnational cooperation among national, regional, subregional authorities from different countries. 'Trans-frontier' cooperation includes also inter-regional (or inter-territorial) cooperation, which is cooperation between authorities that do not share a common border. The term currently used across the European Union is 'territorial cooperation', which exists all over Europe and which includes all inter-

¹² See section 3.1. for an explanations on levels of governance of this case study.

territorial, trans-frontier, trans-European and trans-national cooperation (Palermo 2011). The term 'trans-European cooperation' is also used and within this there are umbrella terms such as 'cross-border cooperation', 'inter-territorial cooperation' and 'trans-national cooperation' which find a common denominator (Lambertz 2010: 7f).

The term 'cross-border cooperation' includes all activities by political and administrative actors and societal groups that undertake activities to promote cross-border contacts, cooperation and development in European border regions (Thormählen 2004: 121). The AEBR describes the goal of cross-border cooperation as "overcoming border barriers and differences in systems, the development of cross-border regions for commerce and services, the reduction of the national border to the function of an administrative border and, in the long term, the transition of the current peripheral national location of individual border regions into a Europe-internal location" (AEBR 1997: 5).¹³ The AEBR also makes clear that cross-border cooperation incorporates all areas of life (as work, leisure time, culture, transport etc.).

The AEBR defined cross-border cooperation very specifically by saying that cross-border cooperation can be bi-, tri- or multi-lateral cooperation between neighboring subregional and regional administrative authorities (also involving other semi-public or private actors), which are located in geographically adjoining areas along a common internal EU-border (internal cooperation), a common external EU-border (external cooperation) or a common border between third countries and working together in all aspects of daily life (AEBR 2001: 10, 29). Cross-border cooperation can take place in different forms through governmental or spatial planning commissions and cross-border Euregions and they can therefore be implemented on the basis of treaties or without them (AEBR 1997: 5).

This dissertation uses the AEBR's description of cross-border cooperation as well as the following brief definition for cross-border cooperation by Engl (2009: 5): "The term cross-border cooperation describes the collaboration between two or more adjacent subregional and regional entities in different neighboring states. As such it can adopt short-term structures (like single projects for a specific purpose) or permanent long-term structures covering various thematic issues." The AEBR also distinguishes between

¹³ The Association of European Border Regions (AEBR) and its role will be explained more in detail in chapter 6.

project-based cooperation and strategic cross-border cooperation. Project-based cooperation takes place in practice and is based on European or national law or involves practical solutions based on ad-hoc agreements (AEBR 2001: 10, 26 and 29).

1.3 Dissertation structure

The general outline of this dissertation is as follows. Chapter 2 will address the research methods that were used and provide an overview of the research activities that were undertaken which include archive research, literature studies and desk studies, as well as in-depth interviews. In order to explore multi-level governance relationships, a large number interviews with key people from the participating levels of governance involved have been undertaken. In this chapter it will explained how and why these interview partners have been selected and how the interviews have been done. Chapter 3 then looks at which theoretical models can be used as tools to answer the principal research question: To what extent are these models suitable for analyzing the growing administrative burden associated with Dutch-German cross-border cooperation funded with European money. Two theoretical models will be addressed: the Multi-Level Governance model and the Principal-Agent approach. Here I will explain why I intend to use a combined MLG-PA model to answer the research question and demonstrate that in respect to regional policy and particularly the development of (Dutch-German) cross-border cooperation, two 'shifts of authority' took place. These shifts can be explained using elements taken from the PA model, while at the same time a multi-level structure analysis is relevant because the shifts took place between different levels of governance. The 'first shift of authority' can be discerned in the development of European integration as a single European regional policy was elaborated under which member states passed more and more responsibility to European institutions like the European Commission, and consented to the development of a single European regional policy. The 'second shift' was from the European level of governance towards the subregional, regional and national levels as European cross-border cooperation funded with European money was conducted through a number of program periods. Both of these shifts evolved separately and gradually through incremental processes rather than any sudden changes.

Chapter 4 focuses on the first shift and the emergence of European integration through the incremental development of a common regional policy. Some considerable time and several treaties and revisions were required to develop a common idea and strategy. As such, chapter 4 will begin with the aftermath of the Second World War and move on to the Treaties of Rome (1957) and their subsequent revision in the year 1986 when the Single European Act was signed (coming into force in 1987). The focus of this chapter lies on the discussions and questions that were raised with respect to (European) regional policy, of which cross-border EU projects were part. Chapter 5 focuses on the development of the European Regional Development Fund, which was introduced in 1975 and revised on several occasions in subsequent years. The early revisions to this instrument, which was designed to stimulate a regionally balanced Europe, show the emergence of increasing complexity. Chapter 5 focuses on the development of the 'first shift of authority' as a consequence of establishing the Single European Act (1986/1987) and the subsequent changes in European policy. Chapter 6 will concentrate on this 'second shift' and on the Dutch-German cross-border cooperation in particular. In empirical terms, chapter 6 is the most important part of this research and the explanations for this 'second shift', that evolved incrementally during the 1990s, are detailed and the consequences for the levels of governance involved during the development of this 'second shift' will also be explored. The step-by-step development of the 'second shift', through which subregional, regional and national levels of governance were given increasing responsibility and leeway in pursuing cross-border cooperation, can generally be seen as the main reason for increasing complexity and a growing administrative burden. Chapter 7 combines the theoretical models described in chapter 3 and uses this theoretical background to explain the empirical results that came about through Dutch-German cross-border cooperation. Chapter 7 will focus on the relationships between the levels of governance involved in Dutch-German cross-border cooperation and concentrates on monitoring, controlling and the 'contracts' made between the actors involved. Chapter 8 will summarize and present the conclusions of this research.

The time span covered by this research will be from the immediate post-war period until the INTERREG IV-ETC program period. However, I will also reflect briefly on the future until 2020 (see sections 5.5 and 6.7). This research project will focus solely on the

administrative aspects of cross-border cooperation funded by the European Union. As far as the theoretical framework is concerned, it leans towards political science, public management and European Studies combined with Human Geography. Research carried out in the first three fields tends to focus more strongly on specific theoretical schools or models such as the MLG or PA models and these will be discussed in more detail in the theoretical sections of this dissertation (see chapters 3 and 7). What makes this project an important addition to existing studies in the various subfields is its combination of analyzing decision-making and administrative processes combined with a detailed historical overview of the cross-border cooperation policy in the EU and an in-depth empirical case study research.

2. Methodology and research strategy

By looking at the development of INTERREG (A)/ ETC over time as a case study, this research seeks to carry out an in-depth analysis of a complex set of possible factors in order to arrive at a better understanding of the relationships between the various levels of governance.¹⁴

Even though conducting a case study means that the findings are difficult to validate for more general conclusions, it suits the objective of this research very well in the sense that it enables us to conduct a detailed, temporal analysis that could provide a lead for further research in this direction, as well as giving more specific outcomes regarding a European border region that may be considered as a best practice in Europe. The Dutch-German border region is one of the European border regions where cross-border cooperation is at its most advanced and it might be considered as a good example for the future for other Euregions. Cross-border cooperation in this area is the longest-standing in Europe and is often seen as a role model in international debates. It provides an excellent research arena within which to analyze and explore in close detail the complex and multi-layered process of the current significant shifts in spatial authority that are occurring in European cross-border governance.

2.1 Methodology

As in any case study, this research investigates a large number of aspects or characteristics, which are in turn inter-related. The use of an in-depth case study suits

¹⁴ According to the AEBC (2001: 201) the term *Governance* “describe[s] [...] a process of authoritative formulation and implementation of general and compulsory rules, which are normally defined and implemented by specifically empowered state institutions and/or other public bodies on the ground of distinct resources at their disposal (monopoly of power execution, monopoly of taxation, monopoly of legitimate attribution of competencies).” The AEBC adds in its definition that “such regulative measures are needed mostly in those areas of society, where a large number of uncoordinated and parallel activities are undertaken by a broad variety of social actors” (AEBC 2001: 201). When the AEBC refers to “co-operative governance” across national borders, it means that this is no longer strictly limited to central government actors, due to the steady increase in the amount of cooperation initiated between regional and subregional authorities from different countries (AEBC 2001: 16).

the nature and complexity of exploring Multi-Level Governance (MLG) relationships, which is the case here. By using such a case study, the aim of this research is to show the usefulness of a combined approach – a combination of the MLG and Principal-Agent models (PA) – and provide new insight into the governance of European cross-border cooperation across the Dutch-German border. As will be discussed in greater detail in the following chapter, the Multi-Level Governance model is a system through which many actors interact in and across different levels of governance that have different competencies, decision-making authority and responsibilities in order to achieve one goal, which in the case of this research is to stimulate cross-border cooperation funded by the European Union.

Research on MLG “starts from the assumption of complexity and requires the careful tracing of processes to identify causation” (Bache 2008 (a): 17). In this context, Bache (2008 (a)) acknowledged that research on MLG may include analyzing routine and key decisions in order to reveal the underlying power relations. The method used to investigate multi-level governance structures is interviewing a wide range of network participants in order to piece together the historical narrative and identify key decisions, the conflicts surrounding them and how and in whose favor these were resolved (Bache 2008 (a): 17). When using this research method of interviewing actors from the various levels of governance who work together in one system, the researcher needs to be aware of the fact that the respondents may give misleading accounts of their actions – they may, for example, be wrong about the actions they think they take or have taken in the past, or about how things have happened in the past (cf. Dowding 2004 in Bache 2008 (a): 17). There are several possible reasons for giving such ‘false’ information during an interview, ranging from a simple lack of knowledge to an actor’s overestimation of his or her own personal position. It is therefore necessary to double-check the information gathered through interviews by questioning the claims of the actors involved and by cross-referencing the interview with official government documents for example (cf. Bache 2008 (a): 17).

In order to overcome the methodological problems related to interviews, the case study research is based on mixed methods (cf. Verschuren en Doorewaard 2007: 184). The information obtained from interviews is checked and supplemented with information from archival research into relevant policy documents and relevant secondary literature

studies. Performing desk research on government documents has two goals: On the one hand, this made it possible to reconstruct development towards and later within cross-border cooperation on national borders within Europe and particularly along the Dutch-German border. A chronological overview was created, because during the subsequently conducted interviews, the exact dates of occasions, events or decisions often were blurred. The document-research made it possible to check what happened when or the exact moment at which decisions were made. At the same time, the information from the interviews was corroborated through those document-research and details could be added.

2.2 Research strategy and field work

Before starting the research for this case study, a compilation of a comprehensive list of the existing literature, internet platforms and databases on cross-border cooperation along the Dutch-German border, on the Dutch-German Euregions and its INTERREG program(s) and on European Territorial Cooperation (ETC) was made.

The next phase of the desk research consisted of historical research, which included a fact-finding analysis and by defining the key personalities and key moments in the history of the Dutch-German case study. This was achieved by studying literature, databases, internet platforms, Euregional and European documents, and so on. This procedure was carried out in order to gain an overview of the historical development of cross-border cooperation, the factors that have influenced procedures and decisions, and current and past communication and negotiations between the four levels of governance in the past. The first stage of the desk research focused primarily on literature of cohesion and regional policy as well as on literature relating to European cross-border cooperation. The second stage concentrated on policy documents relating to the Dutch-German border, European Regional Policy, European cross-border cooperation, the implementation of European Structural Funds, the European Union Treaties and regulations and it also took in (annual) reports published by the European Commission, the European Court of Auditors and the European Parliament. As part of this desk research, documents produced by the national and regional authorities of Germany and

the Netherlands were also taken into account. The desk research of government documents had two goals. On the one hand, this research made it possible to reconstruct the development towards and later within cross-border cooperation on inner European borders and along the Dutch-German border in particular. A chronological overview was constructed, which was useful because during the interviews conducted later (see section 2.2.1). Alongside this literature, potential theoretical frameworks were studied and the use of the Multi-Level Governance and Principal-Agent approaches was considered in their different contexts and the discussion of these (and other) approaches was followed up.

2.2.1 Conducting the interviews

The empirical research draws in part on material gathered through qualitative, in-depth personal interviews. This research method was chosen in order to obtain more information about the (previous) circumstances in which cooperation took place and the particular reasons for decisions made in the past, as well as to investigate the development of personal communication between actors at the various levels involved, which could not be found in official documents or in existing literature. In addition to this, questions about the increasing administrative burden and complexity of the program and about the role of the particular function of the level of governance involved were investigated. Interviews were conducted with actors from all four levels of governance who work (or worked in the past) directly or indirectly with the INTERREG program. The interviews were held with civil servants from the European Commission (DG Regional Policy), MEPs, members of the European Court of Auditors, staff members of the German and Dutch ministries and *Staatskanzleien*, members of the *Landtag* of North Rhine-Westphalia and of the German *Bezirksregierungen*, members of the Dutch Provinces and the Benelux Union, as well as staff members and program and project managers from the Euregions.¹⁵ The interviewees were not selected as a statistically

¹⁵ The German *Staatskanzleien* of North Rhine-Westphalia and Lower Saxony are generally involved in the Dutch-German relations, but not directly in the daily work of the INTERREG program. *Staatskanzleien* are German Authorities which support the *Ministerpräsident/in* of the particular federal state. The governments of the federal states of Germany, the '*Landtage*' are not involved directly in the Dutch-German cross-border program either, but they do have a political

representative sample, but were chosen on the basis of their position and their involvement with INTERREG. Within this research there were two main interview phases – an initial orientation phase in 2009 and a second phase that involved more detailed interviews in 2011 and during a two-month research visit to Brussels in 2012. At the beginning of this research in 2009, for example, the Dutch and German pioneers of Dutch-German cross-border cooperation were interviewed. These pioneers were the individuals who played very active role in introducing the first INTERREG initiative in the early 1990s. That generation has now retired, but their names were identified through the archival research phase, particularly through the correspondence from the Euregional, regional and national levels towards the European level. Other interviewees were identified through the Euregions themselves and through the principle of ‘snowballing’: the question of whom I should speak to was often answered by giving names of people at other levels of governance. Interviewees mainly named the counterparts with whom they were currently working with or with whom they had worked in the past. Particularly at the European level, working partners can change within a very short period of time due to the rapid staff rotation in institutions like the European Commission. At the other participating levels of governance, those who had been working longer within the program were named.

This research used semi-structured interviews, meaning that the interviews explored a few general topics to help to uncover the participants’ views, current and past positions in the Dutch-German cross-border cooperation program and thus their role within it. One of my goals was to elaborate the question of how the several organizations and institutions are handling and have handled the changes within the cross-border cooperation program, why changes were introduced and what consequences they had. The questions were adapted according to the position, past experience and detailed knowledge of that particular interviewee.

The interviews can be placed in two categories, in each of which exactly the same number of people were interviewed (26 persons each). The first category of interviews involved participants who are or were working in the INTERREG/ ETC program and who were particularly familiar with the system. These interviews gave very specific and

role in European structural policy and cross-border cooperation. The Dutch Provinces in the border regions participate actively in the INTERREG program.

detailed information about the practical functioning and evolution of the program over time. The respondents were situated at all four involved levels of governance: at the Euregional/subregional level in the Euregions, at the regional level in the Dutch Provinces and German *Bundesländer* as well as at the Dutch national level, and finally at the European level in the European Commission. The second category of interview involved participants who, rather than being directly involved in the daily work of the cross-border program, had a good overall view of cross-border cooperation or could give their personal opinion about changes that should be made in cross-border cooperation. This second group of interviewees were mainly from the European level, such as MEPs, civil servants from the European Commission who were not involved directly in INTERREG but more in general management of the European Structural Funds, a Member of the *Landtag* of North Rhine-Westphalia and civil servants of the European Court of Auditors.

The interviewees in the first category began with very general questions about their current and past positions and moved on to a discussion of communication and ways of working with other participants in the program. In cases where the respondent had worked in previous program periods, changes and possible improvements or increases in complexity were also discussed. However, the second stage of the interviews always depended on the general introduction. In cases where the respondent had been working in the field for a relatively short period of time, questions relating to the personal opinion of possible improvements to the program were put, as well as questions relating to the specific daily work of the interviewee and cooperation with other actors in the program. Interviews in the second category with participants who were not directly involved in the Dutch-German cross-border cooperation generally began with a general introduction and then moved on to very general impressions about the Dutch-German cross-border cooperation, possible future improvements and potential issues or dilemmas arising from the current situation.

The interviews were held mainly at the current offices of the interviewees in Brussels, at the Euregions, the Building of the Provinces or Ministries and so on. In cases where the interviewees had already retired, the interviews took place at their homes or at locations of their own choosing. Four of the interviews were conducted by phone. The duration of

the interviews ranged between one and four hours, although the average length was between 90 minutes and two hours.

In general, most of the interviewees, especially those in the first category, had a great deal of knowledge and experience in their particular working field, but were often not aware about the functioning and content of the other parts of the program. However, there were a few exceptions to this in this first category, such as individuals from connecting organs such as the Joint Technical INTERREG Secretariat, who had a very thorough knowledge of the tasks and activities taking place within the program.

This stage of the qualitative research was particularly useful for investigating the 'how' questions and gathering personal opinions from the interviewees. All in all, the interviews gave a good representation from all parts of the INTERREG program currently involved at the four levels of governance (supranational, national, regional and subregional).

The table below gives an overview of the interviewees I spoke with and other verbal contact for the purposes of this research:

Table 1: Interviews conducted and establishing a knowledge network

level of governance	number of persons approached	number of persons interviewed	number of interviews**	number of persons spoken to concerning the content of this research (knowledge network)**
Euregional/Subregional	9	11*	9	23
Regional	31	20	18	42
National	10	4	5	13
Supranational	33	17	14	39
in total	83	52	46	117

*At the Euregional/subregional level, more people were interviewed than were actually approached because on some occasions direct colleagues with useful knowledge were

also invited to participate in the interview or to speak to me after the interview. For the complete list of interview partners see Annex 2.¹⁶

** The number of interviews refer to the exact interview moments or appointments. Sometimes an interview took place with more than one person. The persons which are categorized in the column 'Knowledge Network' are those people who were approached to get an interview. As can be seen, not all people asked by letter, email or a phone call were willing to participate in this research.

2.2.2 Archival research

The archival research was used to corroborate certain statements made during the interviews and to obtain more detailed background information concerning the issues mentioned in official government documents. The archival research at the border region and at regional and national levels was mainly conducted in combination with the interviews. Some interviewees already figured out where to search for particular documents before the interview started, due to detailed description of the (semi-structured) interview-questions and the communication of the direction of the personal talk beforehand. Some interviewees were very helpful and provided archive documents following their interview, especially at the Dutch national and German regional levels. Those documents were mostly minutes and letters as well as project applications from the early start of European funding for cross-border cooperation at the Dutch German border. Sometimes interview partners searched for particular documents in their own personal records or in the organizational archive and the documents were then provided on loan or duplicated. However, much of the documentation was not allowed to be used directly for this research. Because there was continuous contact about the aim and progress of this research with some of the participants – by phone, e-mail, or through personal visits – particularly at the border region level, but also at the regional and national levels, useful information and new developments were constantly being communicated during the course of this research project (cf. interviews 1 2012; interview

¹⁶ Because some of the interviewees did not want to be named, the references are anonymized with a number and the year in which the interview was conducted. The complete list of interviews, recordings and transcripts remains with the researcher and the supervisors of this dissertation and can be viewed on request.

2 2009; interview 3 2010; interview 4 2009; interview 5 2009). In addition to this, intensive archival research was also conducted independently of the interviews, especially at the European level. For example, during a two-month research stay in Brussels in 2012, considerable time and effort went into searching for material on European integration in general and more specifically on the emergence of European regional policy and the development of European cross-border cooperation. In addition to this, the archival search also focused on any other documents that reflected the increasing awareness of the need to work across borders, especially in the early stages of the European integration.

2.3 Summary

This research project made extensive use of mixed research methods including desk and literature studies, the use of databases and internet (platforms), archival research and conducting interviews. This triangulation of methods and sources proved to be a useful tool for obtaining an initial overview of historical developments and later a deeper insight into the current field of cross-border cooperation along the Dutch-German border funded by European money.

By combining the extensive use of a range of research methods and tools, the outcome of the research should be seen as much more reliable than case study analyses that do not use this range of methods or where conclusions are drawn either from studying (secondary) sources or interviews. The potential to actively check information from different sources meant that I could take the validity of information at face value and put it in its proper context.

3. Theoretical Framework: Combining Multi-Level Governance and Principal-Agent

The cohesion policy of the EU is implemented through a system that allows for the involvement of a number of actors in the policy process, actors that had previously been systematically excluded from any role in national regional policy (Leornadi 2006: 164).

The existing literature on this research field of European regional and cohesion policy and also on the functioning of the European Structural Funds, in particular the European Fund for Regional Development (ERDF), often use the Multi-Level Governance approach (MLG) as a theoretical framework which analyzes and explains the functioning of the 'working together' of several actors on several levels (cf. Hooghe and Marks 2001; Hooghe 1996; Marks 1992, 1993; Marks et al. 1996: 386f.; Bache 2008 (b), and others). The term MLG has become commonplace in EU studies in recent years, and Hooghe and Marks were the two leading proponents of the idea. They have found that authority in Europe has become increasingly dispersed since the late 1950s (Cini 2007). MLG describes the dispersion of decision-making authority across multiple territorial levels and the political action that occurs at and between various levels of governance (Rosamond 2000). The MLG approach was first developed from a study on EU policy and then further developed and applied more widely (Bache and George 2006). Scholars generally agree that as an analytical tool, the MLG approach can be very helpful.

Even the European Commission itself and the Committee of the Regions (CoR) use the MLG approach as one of the main theoretical tools with which they analyze European Governance (cf. CoR 2009 (b); CEC 2001 (b) COM (428) final). Especially in the years 2008 and 2009, the CoR organized workshops (called 'ateliers') and meetings on the topic of MLG (cf. CoR 2009 (a); CoR 2009 (c)). Contributions on the MLG approach – or that involve the existing literature on cohesion and structural policy in Europe in combination with the MLG approach such as this research on Dutch-German cross-border cooperation, embedded in the European structural policy – cannot be considered without the MLG model. However, in this research a second theoretical model will be incorporated: the Principal-Agent (PA) approach. This approach will be used in combination with the MLG model and not as a substitute for it. Using the PA approach in combination with the MLG model will enable us to investigate theoretically why shifts of

authority between the levels of governance involved in one common system, such as Dutch-German cross-border cooperation, with the stimulation of a European budget have occurred over time. To get a clear picture of both models, the MLG as well as the PA approach will be explained separately (in sections 3.1 and 3.2) and then I will combine both models (section 3.3). This chapter also includes a reference to the empirical case study in order to see how the MLG model can be used in the case of the Dutch-German cross-border cooperation (section 3.1.1).

3.1 The Multi-Level Governance Model

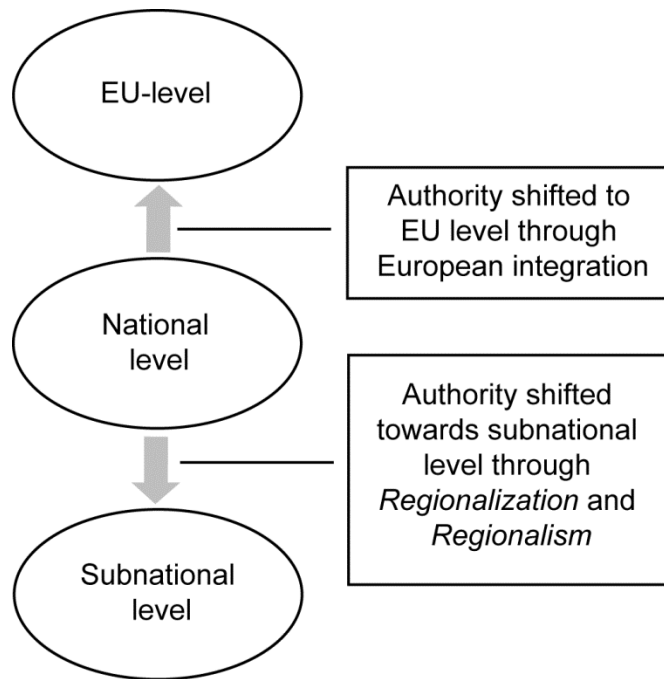
In the basic model of the MLG approach, the European Union is no longer seen as an international organization like any other, such as the NATO or the UN. The enormous complexity of internal EU activities and decision-making procedures means that in some policy areas the EU displays characteristics more akin to a national political system – in which decision-making occurs at different levels of governance – than to an international organization (cf. Hooghe and Marks 2001: 33f). In the context of the EU, policy-making also takes place through actors at different levels and representing different political, economic or cultural fields of activity.

The MLG model is characterized by the assumption that international cooperation in the context of the EU requires complex analysis. A central concept is that, as Hooghe and Marks state, decision-making authority in Europe has become increasingly dispersed since the late 1950s, undermining the central role of national actors in European policy-making (cf. Marks 1993: 392, 401f; Marks et al. 1996: 346; Hooghe and Marks 2001: 3f). According to the MLG model, decision-making competencies are shared by actors at different levels rather than monopolized by national governments. Supranational institutions (the European Parliament, the European Commission and the European Court) have independent influence on policy-making.

What characterizes the MLG approach in relation to European cross-border cooperation? In case of the EU structural policy, MLG appears to be a two-sided process, involving the decentralization of decision-making to subnational levels of

governance as well as the centralization of new powers at the supranational level (Marks 1993). Firstly, the process of European integration has shifted authority in several key areas of policy-making from the nation states to EU institutions. Secondly, ‘regionalization’ and ‘regionalism’ in several EU countries has caused a shift in political authority from the national level to the subnational level (cf. Hooghe and Marks 2001: xi).¹⁷ *Illustration 2* shows how the MLG model functions.¹⁸

Illustration 2: The two triggers of MLG



(Source: Own illustration (based on Hooghe and Marks 2001: xi))

Furthermore, regional and subregional governments have developed vertical links with the Commission that bypass the national level. Regarding the Structural Funds, direct contact between the Commission and subnational governmental representatives takes

¹⁷ ‘Regionalization’ means the willingness of the central state to offload some of the burdensome tasks taken on during the heyday of the welfare state while ‘regionalism’ is the pressure created by sub-state nationalism towards the central state to relinquish decision-making powers (Piattoni 2010: 9).

¹⁸ Some authors add a third process by which national authority has shifted horizontally towards organizations in, for example, the private sector and associations of private-public partnerships (Molle 2007: 124).

place on a daily and mainly informal basis (Marks 1993; interview 6 2010; interview 1 2012).

The MLG model thus bridges the traditionally separate domains of domestic and international politics in the context of European integration and it has strong antecedents in neofunctionalism.¹⁹ In fact, to many of those who apply the MLG approach in EU studies, these processes may make the EU fundamentally different from other international organizations. According to Bache and George “MLG [...] challenged state-centric accounts of the EU and focused more on the nature of the beast than on the process of integration” (Bache and George 2006: 39); and as such, MLG is less concerned with explaining the process of European integration and more with explaining the nature of the EU that has emerged from that process (Bache and George 2006).

However, what the MLG model lacks is a clear explanation of how precisely interaction between actors at different levels takes place. Here MLG scholars can only speak very generally of “a system of continuous negotiation” (Marks 1993: 392). Even though the MLG perspective identifies the development of different levels of analysis, the questions of how and why this interaction takes place, especially interaction between the supranational and subnational levels, has remained largely neglected.

Following Bachtler and Mendez, the nature of governance in the EU’s cohesion policy has been strongly contested by scholars over the years (Bachtler and Méndez 2007: 535). Bachtler and Mendez point out that Marks (1993), for example, sees the Structural Funds as the “leading edge of a system of multilevel governance” where power is shared between several actors and several levels of governance (cf. Marks 1993 in Bachtler and Méndez 2007: 535f.); others, meanwhile – for example Anderson (1990), Pollack (1995), Allen (1996, 2005) and Bache (1998, 1999) – argue that “central governments remained firmly in the driving seat, playing the role of ‘gatekeepers’ between EU pressures and domestic policy and institutional change” (cf. Bachtler and Méndez 2007: 536).

¹⁹ Neofunctionalism is a theory of European integration which views integration as an incremental process. That means that Neofunctionalists maintain that political integration and the growth of authority at the supranational level occur as a long-term consequence of modest economic integration. Integration in one sector creates pressures for integration in related sectors etc. (= functional spillover). This spillover of integration in one sector to others, ultimately lead to some kind of political community (Rosamond 2000).

3.1.1 Levels of governance and Dutch-German cross-border cooperation

In this case study we can see four levels of governance working together in the cross-border program funded by European money. In order to give an overview, this section will explain the empirical division of levels that I will use in this work. However, the fact that I refer to four levels of governance on both sides of the border does not mean that counterparts within one level have the same authority and the same tasks in a program such as the Dutch-German cross-border program. That division will be explained below when summing up of the four levels and also in the division that can be made between program and project levels of the current Dutch-German ETC-program (see below).

The Dutch-German INTERREG program involves four levels of governance:

1. at the subregional level, there are the Euregions (consisting of the stakeholder municipalities '*Kreise*' and Chambers of Commerce);²⁰
2. at the regional level, there are the Dutch provinces ('*Provincies*') and the German '*Bezirksregierungen*' and the German '*Bundesländer*';
3. at the national level, there are the national governments in The Hague and Berlin (previously in Bonn); at this level, the Dutch government is responsible for implementing INTERREG while the national government of Germany is not involved in its day-to-day running; the federal states of Germany (the *Bundesländer*) have that responsibility because they implement regional policy on behalf of the German national government (for more detail on the division of tasks between the German *Bundesländer* and the national level, see further on in this chapter) (cf. Benz 1999; Jakoby 2005; Seerden 1993: 6; cf. interview 35 2012),
4. at the European level there are the European institutions, especially the European Commission.

²⁰ The Euregional-level defined in this dissertation with the term subregional level is sometimes, especially in EU documents and regulations, labeled as 'local level'.

Looking at the INTERREG/ETC program itself, the four levels of governance work together in two different areas or levels of action. To explain this in more detail, a division can be made between 'program level' and 'project level'. The program level involves all four levels of governance and concerns decision-making processes that relate to the whole program and its progress, mid-term changes, financial shifting between priorities and the general (financial) administration and reporting of the program and also about negotiations for a future program period.²¹ This corresponds with the 'partnership principle' of a program like INTERREG, in which several levels of governance work together in the "preparation, financing, monitoring and assessment of operations" (cf. Hooghe and Keating 1994: 378).²² Program level decisions are made in the Monitoring Committee.²³ Decisions at project level, meaning decisions concerning the specifics of implementing the program such as approving projects, financial frames, cofinancing issues, the progress of and content of projects that are underway, are made in Steering Committees. Each Euregion has one regional Steering Committee. Not all four levels of governance participate in project-level decisions, but they all participate at the program level, although not all with the same amount of influence.²⁴

Within the following, the levels of governance that participate at program- and project levels within the ETC (INTERREG IV) period (2007-2013) are listed:

Programm level:

At program level the following program-partners participate in the Monitoring Committee:

Supranational level:

- European Commission (advisory seat)

National level:

²¹ In this dissertation, with the term 'program' a whole period of several years of funding – one particular funding period – as well as the general system of the funding with the overall aim of stimulating cross-border cooperation is meant, e.g. the funding period 2000-2006 or the program INTERREG in general. Within one funding period European financial programs run alongside each other, e.g. INTERREG III next to Urban II in the period of 2000-2006.

²² All principles of a program as INTERREG which are next to the 'partnership principle': 'subsidiary', 'additionality' and 'programming' (see sections 5.3; 5.3.1; 7.1; 7.3).

²³ For more explanation on the development and tasks of the Monitoring Committee see sections 5.3.1; 6.5.1; 7.2 and 7.3.

²⁴ The terms of 'Monitoring Committee' and 'Steering Committee' are terms which are used since the program periods INTERREG III and INTERREG IV also in programs of the Dutch-German border region. Within the former program periods these terms were not always used, for example the 'Steering Committee' of the Euregion Rhine-Waal was called *Koordinationsausschuss* (German) or *Coördinatiegroep* (Dutch) in the INTERREG I period (ERW 1994: 44).

- Dutch *Ministerie van Economische Zaken* (The Hague);
- German *Bundesministerium für Wirtschaft und Technologie* (Berlin)

Regional level:

- German *Ministerium für Wirtschaft, Energie, Bauen, Wohnen und Verkehr* of the *Bundesland* North Rhine-Westphalia (Düsseldorf);
- *Niedersächsisches Ministerium für Wirtschaft, Arbeit und Verkehr* (Hannover)
- *Bezirksregierung* Münster;
- *Bezirksregierung* Düsseldorf;
- two regional representatives of Lower Saxony;

Dutch *provincies* of:

- Friesland;
- Groningen;
- Drenthe
- Overijssel;
- Gelderland;
- Noord-Brabant;
- Limburg

Subnational / subregional level:

- Ems Dollart Region;
- EUREGIO;
- Euregio Rhine-Waal;
- euregio rhine-maas-north;
- *Bescheinigungsbehörde* (advisory seat)

Project level

On project-level, the following program partners are participating in the Steering Committees:

National level:

- Dutch EZ (The Hague);

Regional level:

- German *Ministerium für Wirtschaft, Energie, Bauen, Wohnen und Verkehr* of the particular *Bundesland*
- The particular involved Dutch *provincies* (depends on program area of the Euregion)

- The particular involved German *Bezirksregierungen* or the *Regierungsvertretung* Oldenburg (depends on program area of the Euregion);²⁵
- eventual one further regional representation of Lower Saxony

Subnational level:

- Each responsible Euregion
- Joint Technical INTERREG Secretariat (advisory seat)
- *Bescheindigungsbehörde* (advisory seat)

(cf. JITS 2007 (b): 4, 6)

The role of the German *Bundesländer* needs some further explanation. The reason for including the German federal states at the regional level even though they have nearly the same competencies as the Dutch national level in The Hague is that the *Bundesländer* “in contrast to their counterparts in regionalized and unitary member states, are well positioned to compete for EU funds and to engage the Commission as full-fledged partners in the formulation and implementation of cohesion policy [...]” (Anderson 1996: 163).

Unlike the Netherlands, Germany can be considered an exception in Europe with its federal system, in which the *Bundesländer* have a real say in several policies. German “[...] policy-making requires the involvement of Länder parliaments, as decisions on the amount and the allocation of the structural funds affect their budgetary competences” (Auel 2006: 44). Hence, while in other European member states regional policy is a task of a central government, in Germany it is a competence of the *Bundesländer*.

Of course, labeling the governments of the *Bundesländer* as ‘regional level’ is just a question of definition, but we do need to be clear that the authority of the German *Bundesländer* in respect to regional policy and cross-border cooperation is much more influential than that of the Dutch *Provincies*, because of the constitution of the federal state of the *Bundesrepublik Deutschland*, in which the *Bundesländer* have the authority to implement (European) regional policy. Each *Bundesland* is individually involved in the design and implementation of its Community Support Frameworks (CSF)²⁶, always within

²⁵ The ‘*Regierungsvertretung*’ Oldenburg conducts tasks within INTERREG on behalf of the Ministry of Economic Affairs of Lower Saxony (in Hannover) (cf. Interview 7 2010).

²⁶ Community Support Frameworks (CSF) are negotiated between the Commission and the

the parameters of the Joint Tasks Framework (*Gemeinschaftsaufgabe*).²⁷ As part of that procedure, the *Bundesländer* are consulted continuously by the federal government during the negotiations on the Structural Funds (Hooghe and Keating 1994: 382). In short, when it comes to the German federal system in respect to MLG, the most important actors are the *Bundesländer*. For example, while “decisions on eligible regions as well as the allocation of the funds are made in the federal Länder negotiations, the Länder dominate the subsequent stages of programming and implementing regional policy within the framework of the Joint Task” (Thielemann 2000: 10 in Auel 2006: 45-46). However, the final responsibility for implementing the European regional policy rests with the national German government, which – like all the other national governments in Europe – acts as the negotiating partner in the preparation period and the official partner for implementing programs during the programs. In sum, even in Germany, final responsibility is official with the national level, even though the daily work of the European level correspondents directly with the regional or *Bundesland* level.

The development of Europe after World War II fundamentally changed the cooperation between the national (federal) and regional (*Bundesländer*) levels. European integration created a qualitatively new MLG system within Germany, which means that the *Länder* can directly participate in intergovernmental negotiations. Benz (1999: 73) says that the *Bundesländer* have “[...] turned into external lobbyists and controllers of the German representatives within the European political system.” However, policies such as the European Structural Funds are forged in an institutional setting which establishes intergovernmental negotiations between the Federal and *Länder* governments and the

various authorities in the member states since the interventions on regional development changed from stimulating projects towards financing programs. The CSF is an agreement on objectives, finances and procedures for each eligible area (cf. Hooghe and Keating 1994: 377-378).

²⁷ Since the year 1969, the German *Grundgesetz* (German Constitutional Law) defines the “improvement of regional economic structures” as a so called Joint Task (German: *Gemeinschaftsaufgabe* “Verbesserung der regionalen Wirtschaftsstruktur”) of the *Bundesländer* and the federal/national level (Auel 2006: 45). Jacoby (2005: 110) describes the current engagement of the Bund within the regional policy in the way that the *Bund* gives financial aid within the framework of Joint Tasks (German: *Gemeinschaftsaufgaben*) conform Art. 91 a) of the German *Grundgesetz*, especially through the joint task of “improving the regional economical structure”, next to through the adjustment payments (German: *Ausgleichszahlungen*) which is also listed in the *Grundgesetz*, but not so relevant for this case study. Focusing on the Joint Task of “improving the regional economical structure” has created a framework for among others the “Abgrenzung von Fördergebieten und für die Festlegung von Förderhöchstätzen”, which could avoid a competitive subsidization (German: *Subventionswettbewerb*) among the *Bundesländer* (Jakoby 2005: 110).

European Commission. Since the late 1980s, networks that include actors from subregional governments as well as actors from the private sector have emerged at the regional level below the *Bundesländer*. In Germany, policy making in the field of regional policy or European Structural Funds requires the involvement of the *Länder* parliaments because decisions on the amount and the allocations of the Structural Funds affect their budgetary competencies (Benz and Papadopoulos 2006: 13).

In sum, when it comes to the European Structural Funds and the INTERREG and ETC programs, the *Bundesländer* which we classify as 'regional-level government' have the right to implement these programs as well as participating in decision-making in the programs and preparing future programs with other partners (see also list of program partners participating on the program and project levels above).

3.2 The Principal-Agent Approach

The main concept behind the PA approach can be summed up as follows: "An agency relationship exists between two parties when one, designated as the agent, acts for, on behalf of or as a representative of the other, designated as the principal" (Blom-Hansen 2005: 629). In this way, the Principal engages the Agent to perform some task on her behalf and in order to do this, the principal delegates some (decision-making) authority to the Agent (cf. Héritier 2007: 23). The basic Principal-Agent relationship is actually a very simple one: there is one Principal and one Agent and the Principal cannot observe the Agent's efforts but can measure its outcomes (cf. Miller and Whiteford 2002: 233). Originally the PA approach was applied to private firms and businesses, later to public agencies and recently it has also been applied to international organizations, such as the EU (cf. Bauer 2002; cf. Arrow 1985; cf. Pollack 1997).

An Agent's freedom of action stems specifically from the tasks delegated or, more generally, from having certain specialist expertise in a given policy area. This creates an asymmetrical distribution of information that favors the Agent, who, over time, gains more expertise than the Principal. This asymmetry may result in 'shirking', a phenomenon that occurs when an Agent minimizes the effort it exerts on its Principal's

behalf and 'slippage', which occurs when an Agent shifts policy away from its Principal's preferred outcome and toward its own preferred outcomes (Hawkins et al. 2006: 8).

In order to curb this potential for undesired independent action on the part of the Agent, Principals may develop various oversight procedures in order to control the Agent's behavior. However, these may in turn lead to 'agency losses' (Hawkins et al. 2006: 9: cf. Pollack 1997: 108; Hix 2005: 29) and increasing costs which may induce a new cost-benefit calculation on the part of the Principal and a re-evaluation of its relationship with the Agent. Similarly, some scholars have focused on what they call 'bureaucratic drift', when Agents develop their own vision of what their mandate is or should be, and pursue their own interests or try to expand their tools and influence (cf. Hix 2005: 28f; Pollack 1997: 108). Other authors have used the term 'Principal's problem' and analyzed the mechanisms by which a principal may seek to maintain an Agent's loyalty (cf. Ross 1973: 134f. in Blom-Hansen 2005: 629). At this point, the terms 'control' and 'oversight' come into play. These can be interpreted as manifestations of mistrust or more generally formulated as a way of ensuring that the Agent behaves as the Principal wants. However, even though some Principal-Agent literature addresses the issue of control and oversight in terms of 'trust', this is less relevant to this particular case study (cf. Ensminger 2001) because here the focus is not on interpersonal relations between humans, to which the terms such as 'trust' and 'assurance' usually apply, but rather at institutions involved in cross-border governance.

The control mechanisms generally used in PA literature to analyze institutional relationships are 'process control' and 'outcome control' (Aulakh and Gencturk 2000: 524).²⁸ The process and outcome controls can be regarded as different types of institutional control. However, both types differ in terms of what they monitor. While "Process control refers to the extent to which the principal monitors the agents' behavior or the means used to achieve desired ends [...]", 'outcome control' is "the degree to which the principal monitors the results or outcomes produced by the agents" (Aulakh and Gencturk 2000: 524). The PA literature generally cites four control mechanisms that institutions as principals may use:

²⁸ There is also a third one: 'the social control' that will not be elaborated in this dissertation (Aulakh and Gencturk 2000: 524).

1. Choosing an Agent carefully;
2. Designing an Agent's contract so that it includes the correct incentives;²⁹
3. Monitoring the Agent's actions;
4. Applying sanctions to Agents who 'drift' from the original contract (cf. Blom-Hansen 2005: 629; cf. Molle 2007: 192f.).

The four control mechanisms can be categorized into the two more general institutional types of control mentioned above: 'choosing an Agent carefully' and 'designing an Agent's contract so that it includes the correct incentives and monitoring the Agent's actions' are process controls, while 'applying sanctions to Agents who "drift" from the original contract' is an outcome control and is meant as a consequence when the outcome control proves that the Agent has drifted from the original contract made by the Principal.

According to Kassim and Menon "...the principal-agent model holds significant promise for understanding the complex relationships and interactions that characterize the [European] Union..." and they also affirm that "the principal-agent model offers a way of grasping the institutional complexity of the EU" (Kassim and Menon 2003: 126). States then act as Principals, delegating their authority to international organizations which act as Agents. In this dissertation, the focus lies on the relationship between the states and the international organizations, which are actually the European institutions, particularly the European Commission, and the extent to which this international organization can act independently of the member states (cf. Hawkins et. al. 2006: 8-10; Pollack 1995: 376). In fact, more empirical research in this area has been specifically recommended by PA scholars such as Piattoni, who also state that "the Council wants to supervise the Commissions activity, particularly when it is entrusted with the implementation of Council decisions which cannot, by their very nature, be sufficiently detailed to exclude any kind of 'drift' (Piattoni 2010: 21). Piattoni states that the Commission itself also needs the knowledge of experts from the various institutional and non-institutional levels in the member states in order to carry out its tasks (cf. Piattoni 2010).

²⁹ The relationships between Principals and Agents are usually governed by contracts, which are "self-enforcing agreements that define the terms of the relationship between two parties" (Lake 1996 in Hawkins et al. 2006: 7).

In the field of European regional policy, national governments act as Principals which are not able to plan for all possible future ambiguities and sources of contention and so they create Agents, such as the European Commission, with the goal of safeguarding inter-state agreements and adapting them to changing circumstances (cf. Keohane and Hoffmann 1991; Majone 1996; Pollack 1997 in Hooghe and Marks 2001: 10). Regarding the MLG model, Pollack (1995) made an early critique of the basic MLG approach established by Marks. He developed the model into a more 'robust' Principal-Agent model of delegation and applied this model more broadly. His main point is that the member states' preferences and strategies "must take centre stage in explaining the development and functioning of cohesion policy" (Bachtler and Méndez 2007: 538).

In the field of cohesion policy, Pollack (1995) points out specifically that when Agents (in this case the European Commission) attempt to pursue their own preferences, the Principals (in this case the member states) can rein in and rectify unruly or undesired behavior and outcomes in subsequent reform phases. Pollack concludes that the "autonomy of a given supranational institution depends crucially on the efficacy and credibility of control mechanisms established by member state principals..." (Pollack 1997: 101; cf. Pollack 1995: 378-384 in Bachtler and Méndez 2007: 538). Bachtler and Méndez illustrate this with a specific example. They explain that the Commission was able to pursue its own agenda during the 1988-1993 period of the Structural Funds, thereby 'outflanking' the member states to a certain extent because the Commission had greater expertise "coupled with a general uncertainty about the future performance of new procedures which led the member states [the national level] to adopt, with very few amendments the Commission's proposals" (Pollack 1997: 127; cf. Marks 1992: 212); Pollack argues that "a subsequent intergovernmental backlash led to a curtailing of the Commission's powers in the 1993 reforms and a reassertion of the central government control" (Pollack 1995: 378-384 in Bachtler and Méndez 2007: 538).

In order to link the shift described above to this case study, the 1993 reform of the European Structural Funds must be mentioned. The Commission's informational advantage "had receded after five years of experience, and the Commission's proposals were therefore amended by the member states, which had clear and precise preferences" (Pollack 1997: 127). To sum up these changes, this case study speaks of 'two shifts' in cohesion or regional policy. The 'first shift' – within this dissertation also

called 'supranationalization shift' – ended with the establishment of the European Regional Development Fund (ERDF) in 1975 and therefore includes the entire development of the European regional policy from the 1950s onwards (see also chapter 4). This 'first shift' considers the time wherein the Commission acted autonomously and set its own agenda, while during the 'second shift' – within this dissertation also called 'renationalization shift' – (especially after 1993) the preferences of the largest (contributing) member states played an increased role (cf. Pollack 1997: 127; the 'second shift' is elaborated intensively in chapter 5).

In sum, the PA approach could prove extremely useful in explaining the intentions and developments within relationships that involve levels of governance working together. However, in existing studies the PA approach has largely only considered the relationship between two levels of governance. In this case study, however, as pointed out earlier, not only is a multitude of different actors involved, they also operate at different levels. Whereas the MLG approach enables these to be included in the analysis, the combination with the PA approach offers the possibility of obtaining more insight into the several shifts of authority that have taken place in cross-border governance.

3.3 A combination of MLG and PA for the Dutch-German case study

In the attempt to uncover the mechanisms that led to more administration and complexity in the INTERREG/ETC program along the Dutch-German border, we will emphasize the importance of several 'shifts of authority' between the four levels of governance working together – subregional, regional, national and supranational – in this European financial program. These shifts will be identified by looking at both the decision-making procedures for specific cross-border projects as well as the changing involvement of all European levels of governance in this Dutch-German cross-border program through control and oversight mechanisms. Even though the Multi-Level Governance model (MLG) seems to offer a good way of explaining how the several levels of governance work together, it is not the ideal tool for explaining how shifts in governance – in the framework of the Dutch-German INTERREG border region

cooperation – took place over successive program periods. Including the MLG approach in a combined model is however necessary, if only as a tool to identify different levels involved and a description of their relations. It will subsequently be up to the PA part of the combined approach to provide for a more detailed explanation of the nature of the relationships between involved actors.

Blom-Hansen (2005: 625) describes the limits of the MLG model as follows: “While this model [the MLG model] paints a descriptively accurate picture of the cohesion policy’s complex implementation structure, it fails to specify which actors, at which levels will be causally important and when.” He concludes that the multi-level character of the EU empowers the supranational and subnational levels at the cost of the nation state, which must accept “a significant loss of control” (Marks et al. 1996: 346 in Blom-Hansen 2005: 628). Blom-Hansen also pinpoints the shortcoming of the MLG model, saying that it “fails to specify why this should be the case” (Blom-Hansen 2005: 628). While Hooghe (1996: 1-24) argues that there would be a center where authority is accumulated, Blom-Hansen argues that this seems somewhat unlikely given that the MLG model states that certain actors at certain levels would be empowered (Blom-Hansen 2005: 628). Blom-Hansen suggests the Principal-Agent model (PA) as an alternative approach to address this question (Blom-Hansen 2005: 625). This research will not use the PA approach as an alternative to the MLG model, but rather as an addition to it.

Compared to the MLG model, the Principal-Agent approach (PA) does a better job of clarifying the dynamics of relationships between actors, mainly by focusing on the oversight and control mechanisms that result from a shift in authority from the Principal to the Agent.

In contrast to Blom-Hansen’s work, which focuses on the PA model and highlights the shortcomings of the MLG approach, the main theoretical focus in this case study is to incorporate the PA approach fully into MLG so that it becomes possible to explain the intentions of actors at several levels of governance that are working together within one European program, particularly when, as is the case here, actors at several levels may act as both Principals and Agents simultaneously. Blom-Hansen focuses on the relationship between the member states and the EU level in order to evaluate the degree of member state control and ascertain which level is in control (Blom-Hansen 2005: 628-

630).³⁰ However, the central question of this research is not who has the upper hand during implementation, but to analyze the consequences of the increasing diffusion of competencies to all the levels of governance involved in a program such as INTERREG/ETC. The diffusion of authority, responsibilities and tasks often leads to more administration for end-users as will become evident in this case study.³¹ The control mechanisms established as part of Dutch-German cross-border cooperation and the way in which these have developed over the years may be used to explain shifts in governance in this area.

To sum up, this case study uses a combination of both theoretical approaches and takes as its starting point the fact that since several levels of analysis are involved in cross-border cooperation, the MLG and PA approaches should be combined so that the development of control and oversight mechanisms of the PA approach can be analyzed in relation to different actors at different levels and their changing relationships in the decision-making process over time.

³⁰ Blom-Hansen's work seems to be theoretically similar to this research, although there are a few differences. He focuses on the Urban Community Initiative (in Denmark) within the EU cohesion policy, while this research concentrates on the development of cross-border cooperation along the Dutch-German border. These empirical subjects are different in some important respects. Firstly, the INTERREG program is much larger: €700 million was budgeted for the Urban II programs for the period 2000-2006, while €4,871 million was budgeted for INTERREG III programs in the same period (cf. CEC 2000 (a): 6, 15; cf. CEC 2000 (b): 2, 9). Secondly, the INTERREG (A) /ETC program seeks to address problems that result specifically from differences between member states (cf. CEC 2000 (a); cf. CEC 2001 (b)) and as such cross-border cooperation directly affects the everyday lives of people in border regions where the lack of European integration is felt the most keenly. Thirdly, while this research uses a combination of the MLG and PA model (see chapter 7).

³¹ In this dissertation, 'authority' refers to responsibility and decision-making power in the field of European regional policy. One can argue that this 'shifting of authority to one central European institution' can be viewed as a 'loss' of sovereignty from national governments, but we should be clear that it is not a strict 'loss' because the field of European regional policy was established at that point and has only existed since then. In short, in this research 'authority' refers to the right to implement, conduct or decide in a particular policy field. / European Integration or Integration in the European Community/Union has progressed on the creation of a common market, the development of common institutions and the forging of common policies (cf. Hooghe and Keating 1994: 367).

3.3.1 *Explaining shifts of authority*

This research will show that two ‘shifts of authority’ have taken place over time. The first shift, also called the ‘supranationalization shift’, which involved authority being given from the member states to supranational institutions as part of the process of European integration, can be described as:

“[...] the member states of the European Community have “pooled” increasing areas of policy authority, introducing prominent collective institutions” (Pierson 1998: 27).

Supranational European institutions developed during the process of European integration after the end of World War II and stand above the national level of the member state (see chapter 4). In contrast to intergovernmental cooperation, cooperation through supranational institutions enables the member states of (what was to become) the European Union to work together with a neutral partner and not solely on a government-to-government basis (cf. Cini 2007: 461, 465).

However, this ‘first shift’ did not take place immediately after World War II because the first contacts between the later member states of the European Union took place on an intergovernmental basis. As Keohane (Pierson 1998: 31) states:

“[...] governments put a high value on the maintenance of their own autonomy, [so] it is usually impossible to establish international institutions that exercise authority over states” (Keohane 1984: 88 in Pierson 1998: 31f).

With that in mind and particularly given the difficult and sensitive setting of the aftermath of World War II, it is obvious that building up supranational institutions and ‘pooling’ authority at a supranational level was not an easy development and evolved gradually. However, over time, a progression took place from intergovernmentalism towards increasing supranationalism, this can be explained in terms of the Principal-Agent model:

“The principals (member states) may delegate certain responsibilities to agents (international organizations), but only with the strictest oversight. The core calculation for member states is whether the benefits of collective action outweigh any possible risk of autonomy” (Pierson 1998: 32).

The quotation above sums up what early European integration was all about: the decision to delegate a given authority was based on a calculation of the benefits of this shift of authority to the supranational level balanced against the members states’ fear of losing sovereignty and their wish to establish strict oversight mechanisms.

In short, the ‘first shift’ – that is also labeled in this dissertation the ‘supranationalization shift’ – was a shift of authority from the multiple Principals – in this case the member states of the European Communities (and later European Union) – towards supranational Agents – in the first instance, the supranational organs within the European Coal and Steel Community (ECSC). This implied a shift from intergovernmental cooperation towards supranationality. As Cram, Dinan and Nugent observe:

“Since the transfer of responsibilities to supranational institutions implies the placing of constraints on national sovereignty – that is, restrictions on the ability of member states to act independently and on their own initiative – the debate over the balance of power within the EU between supranational and intergovernmental actors is fundamentally important to an understanding of both the distribution and balance of power at the EU level and between EU level and their member states” (Cram, Dinan and Nugent 1999: 5).

There are various reasons to build supranational institutions or organizations – for example information can be distributed equally to all member states. Without such supranational organizations and institutions, uncertainty would exist about the preferences, intentions and reliability of the other actors and this would make agreements difficult to execute and enforce. Supranational institutions can help to reduce information asymmetries, they can monitor compliance and they can create links across issues that diminish the likelihood of defection (Pierson 1998: 32). According to Keohane (1984: 97), the main reason for establishing such supranational

institutions/organizations is that they “permit governments to attain objectives that would otherwise be unattainable” (Pierson 1998: 32).

Especially in the European context, the member states faced a difficult problem in that they needed to create arrangements that would allow reasonably efficient decision-making and effective oversight and enforcement over a wide range of complex and closely interrelated policy arenas. In light of these requirements, authority was transferred to these organizations and that means that the political organizations of the European Community had resources at their disposal and were not simply the tools of the national governments (Pierson 1998: 35).

According to the definition of Cram, Dinan and Nugent (1999: 5), the term ‘supranational’ implies the existence of a power above or beyond the level of the nation state that enjoys some degree of autonomy from national governments. Accordingly, when EU member states create a supranational body (or procedure), they delegate a range of tasks that they expect to be performed without constant references back to them for approval (Cram, Dinan and Nugent 1999: 5). The consequence of this is inevitable, because the delegation of such tasks necessarily places some constraints on the sovereignty and powers of the member states, since they no longer have full control over the activities of the supranational institutions (or procedures) that they have created (Cram, Dinan and Nugent 1999: 6). Pierson goes one step further in his explanation and states that:

“Over time, EC organizations will seek to use grants of authority for their own purposes, and especially to increase their autonomy. They will try to expand the gaps in member-state government control, and they will use any accumulated political resources to resist efforts to curtail their authority” (Pierson 1998: 35).

The consequence of this development over time has been on the one hand – according to Pierson – that national governments generally (but not always) seek to rein in European Community organizations. On the other hand, those same member states governments also recognize that these “crucial collective organizations cannot function without significant power, and that the authority required must grow as the tasks addressed at the European level expand and become more complex” (Pierson 1998: 35).

The question remains of why member states choose to extend their activities at the EU level, given that it means a curtailment of their own autonomy. There could be several reasons for this. For example, member states may find themselves caught up in a process from which they cannot easily extricate themselves, even when it would be in their interest to do so, because they find themselves increasingly entwined with their EU partners and increasingly influenced by the supranational institutions at every turn. It is possible that there has been some loss of control over the integration process, meaning that member states have decided that a certain trade-off between autonomy and influence is worthwhile. In this way, having a little less autonomy over certain policy decisions is acceptable if it results in having greater international power as part of a major economic trading bloc (cf. Cram, Dinan and Nugent 1999: 6).

A 'second shift' – that is also labeled in this dissertation the 'renationalization shift' – took place in the field of regional policy because the Commission did not have the resources to implement Structural Funds in the regions on its own (cf. interview 8 2009). As Nugent describes, "there just are not enough officials in the DGs, and not enough money to contract the required help from outside agencies [...]" (Nugent 2006: 175). Molle (2007) explains this 'second shift' by saying that the EU's cohesion policy has become a set of very strict rules and targets and he concludes that through the implementation of this policy by the member states, the states actually act rather like Agents and the Commission as a Principal (Molle 2007: 192). This 'second shift' cannot be made to fit within the somewhat rigid MLG model, in which authority can only shift from the national level upwards to the supranational level or downwards to the subnational level, but is consistent with the view of scholars like Pollack (1997), Anderson (1990) or Bache (1998, 1999) who describe how the national level also gains authority back. The development of the European Structural Funds in general shows that the national level has assumed an increasingly important role in the overall implementation procedure of the programs. Pollack (1995: 376) describes the role of the national governments in European Structural Funds as follows "[The national governments] acting [...] collectively in Council decision making and individually in the implementation of the funds, to structure the conditions under which regional governments interact with each other and with the Commission in the implementation of the Structural Funds. [...] Regions are [...] independent actors, but in a play – or institutional structure – laid down by member

states.” This applies particularly to the situation that has existed since the 1988 reforms of the Structural Funds, which enhanced the capacity of the contributing member states to exercise financial control and ensure value for money, and 1993 reforms, whereby some control over implementing the fund was shifted back from the Commission to the member states (Pollack 1995: 395). In Germany, and especially in this Dutch-German case study, the *Bundesland* North Rhine-Westphalia acts as a powerful regional actor on behalf of the national level (see section 3.1.1) and deals directly with the Commission when implementing the INTERREG program (cf. Pollack 1995: 377).³² In sum, under the auspices of EU cohesion policy, the levels of governance involved work together under a system of ‘shared management’ in which implementation is delegated to the member states (cf. Bachtler and Méndez 2007: 747).

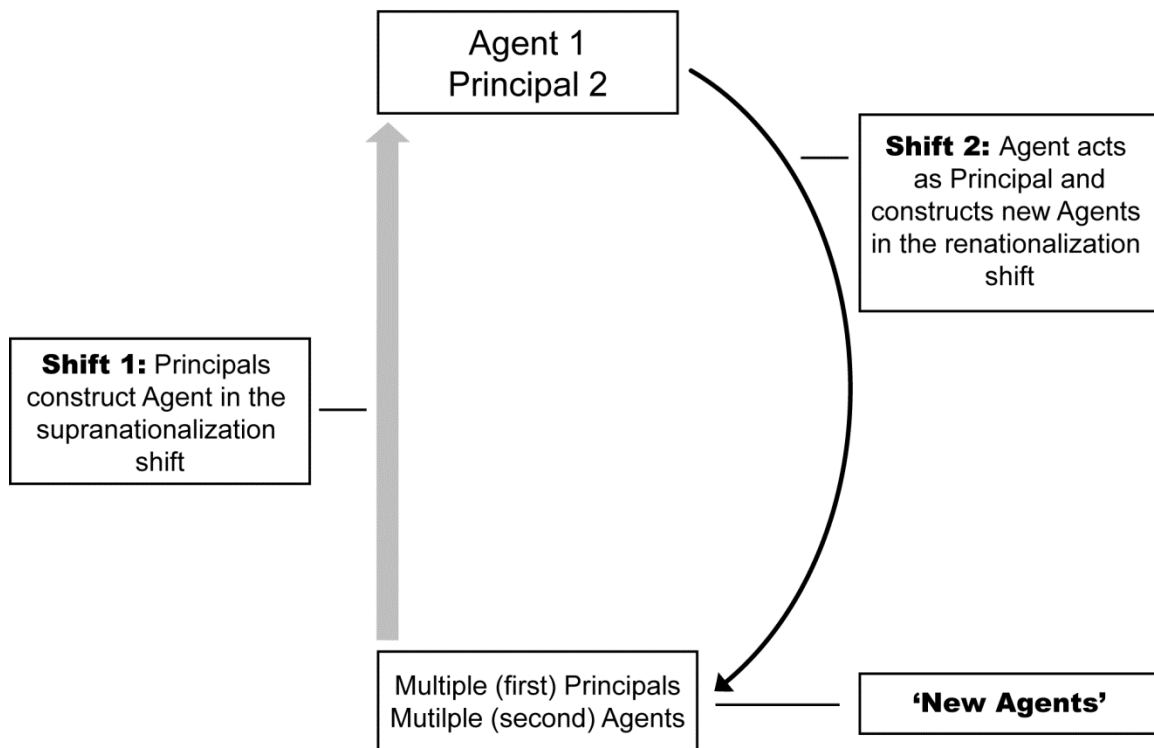
In this respect, Bachtler and Wren (2006: 143) state that the 1988 reform of the funds gave the European Commission much greater influence over the distribution of regional development funding, in particular with respect to the designation of eligible areas, the approval of member states development plans, the management and delivery of the programs, and the control of expenditure (Bachtler and Wren 2006: 143). This research does not contradict Bachtler and Wren’s argumentation, because they are describing the overall supervision and decision-making on general implementation regulations from the Commission. However, this research focuses on how the INTERREG is conducted on a day-to-day basis, following the Commission’s decisions about the overall program. The subnational, regional and national levels have been given more responsibility and authority to conducting and implement the Structural Funds and, in this particular case, the INTERREG program because the Commission has chosen a multi-annual program structure. In sum, the argumentation of Bachtler and Wren fits this research in respect to the overall decisions on the distribution and the working of the fund and the approval of the programs themselves (cf. Bachtler and Wren 2006: 143). What is different in this

³² The *Bundesland* North Rhine-Westphalia is responsible for implementing the current Dutch-German INTERREG program and therefore the *Ministerium für Wirtschaft, Mittelstand und Energie* is the Managing Authority for the program, while the national government in The Hague is responsible for implementing the Dutch-German-Belgian Euregio Maas-Rhine (cf. Euregio Maas-Rhein 2007: 83f; cf. JTIS 2007 (a): 89). In the previous period of two separate Dutch-German programs, responsibility for implementing INTERREG in the Ems Dollard Region resided with the *Bundesland* Lower Saxony, the Managing Authority was with the *Niedersächsische Ministerium für Wirtschaft, Technologie und Verkehr* (Ems Dollard Region 2001: 97). As a consequence of the merger of program areas, North Rhine-Westphalia has also been responsible for the implementing INTERREG for cross-border cooperation in this area of Lower Saxony since the start of INTERREG IV.

analysis, however, is that the analysis is extended using a more detailed PA analysis that examines the way in which the relations between actors change over time. Here, the shifts concern not only general developments between different levels of governance, but more specifically between Principals and Agents and their underlying structures. By combining the MLG and PA approaches, it becomes clear that several Principals and several Agents are involved in cross-border governance. In fact, over time, Agents have been able to act as Principals in delegating the authority relating to the implementation of the INTERREG program. It is this process that I will analyze and describe in greater detail in the chapters that follow.

The illustration below (*illustration 3*) illustrates my conceptual theoretical model. This model will be filled in with the empirical details of the in-depth case study in chapter 7.

Illustration 3: Combined theoretical model based on MLG and PA



(Own Illustration)

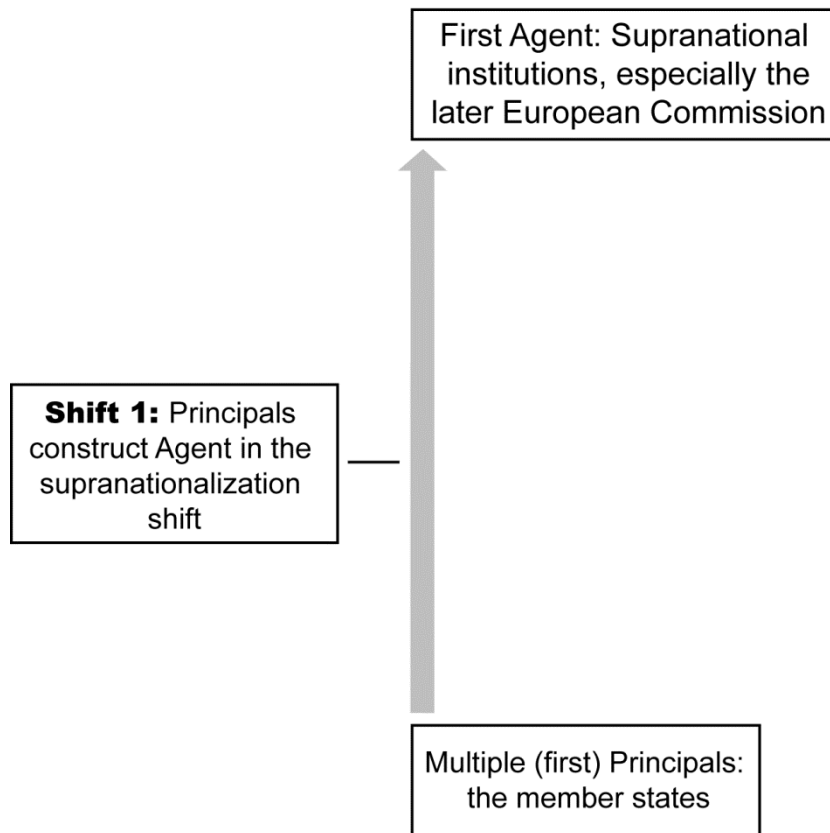
3.4 Summary

In an effort to explain growing complexity in the Dutch-German cross-border program, the MLG model fails as an analytical approach in its own right, because it cannot account for the possibility of a situation where authority becomes increasingly dispersed over all the levels involved and where not only the European supranational level has a say over a program, but also the national governments of the European member states. Additionally, the PA approach is regarded as an excellent tool with which to explain the intentions and developments within relationships that involve two levels of governance working together. The PA approach is able to explain the mechanisms relating to establishing supranational institutions as Agents of the Principals, the member states. However, in existing studies the PA approach has largely focused only on the relationship between two actors. In this case study shifts in authority are involved between several actors at different levels of governance. While the first shift can be also called the 'supranationalization shift', the second shift back towards the national level (also regional and subregional levels in this case study) can be summed up as 'renationalization shift'. Both shifts are shown in the conceptual model (*illustration 4*). The PA approach is relevant to this case study because it allows an analysis of control mechanisms that may be used to investigate developments in the Dutch-German border region over successive program periods of funding (see chapter 6). Here, the control mechanisms that have been established for Dutch-German cross-border cooperation and the way these have developed over the years may be used to explain shifts in governance in this area. While the MLG approach enables the inclusion of these into the analysis, combining it with the PA approach offers the possibility of obtaining a better insight into the successive shifts of governance that have taken place in cross-border governance. In the next chapters, this combined approach will be tested against the empirical research conducted for the case study in order to determine to what extent it can explain the increased complexity of cross-border governance.

4. The Supranationalization Shift: Building a European Regional Policy

This chapter will present a historical overview of the development of a European Regional Policy in order to show how the role of the supranational European Commission has developed and changed over time. The Commission is one of the central players in this case study and therefore also part of the theoretical framework of this dissertation. It will be discussed how this nascent European regional policy was implemented, particularly around the time when the supranational European Commission was first established (1967) with a separate Directorate General for Regional Policy, and the subsequent period of development. This chapter looks primarily at the first shift – the ‘supranationalization shift’ – in the theoretical model (see chapter 3), during which member states agreed on step-by-step supranationalization and the establishment of common European institutions for that purpose.

Illustration 4: The 'supranationalization shift'



(Own illustration)

This chapter recounts the development of European regional policy that took place in the early development of European integration. We will start with the aftermath of World War II and continue towards the establishment of the European Coal and Steel Community (ECSC). Finally we will then turn to the signing of the Treaty of Rome (EEC), in which a first attempt to define regional policy was made. As such, the milestones of early European integration will serve as our reference points and help us to understand the context of the development of this particular policy field.

In the annual documents of the European Communities in the late 1950s and other official government documents, the the term 'regional policy' came increasingly into play. This is demonstrated by the content of those reports, but also by institutional changes in the European Commission itself (cf. Europäische Kommission 1958, 1959 and 1960).

The European Commission, which has its origins in the High Authority of the European Coal and Steel Community (ECSC) founded in 1951, has become a supranational executive body responsible for the implementation of European policies and representative of the organization as a whole rather than of the organization's member states.³³ The European Commission was given the authority to develop a European regional policy step by step during the process of European integration. The importance of a European regional policy had already been made clear by the German president of the first Commission of the European Economic Community (EEC), Walter Hallstein, in the early 1960s. Hallstein stated – during a conference for questions about the regional economy – that regional policy was not a policy which could be viewed as distinct from policy on exchange rates, agriculture and infrastructure, or from tax policy, economic and trade policy and so on, because regional policy penetrates all sectors.³⁴ Hallstein also emphasized the strong connection between the economic and regional dimensions (Europäische Wirtschaftsgemeinschaft Kommission, Volume 1 1961: 14).³⁵ He also explained that “regional policy concerns humans in their geographical settings. The space in which humans exist, together with time and historical circumstance, is one of the elementary determining factors of their existence and more than that: it counts among the most elementary issues of being. The inescapable influence that it has on all human beings is the starting point for regional policy” (Europäische Wirtschaftsgemeinschaft Kommission, Volume 1 1961: 14).³⁶

³³ The European Commission came into being with the ratification of the Merger Treaty (1 July 1967) of the six member states, when the hitherto separate Communities (ECSC, EEC and EURATOM) were merged into one single institutional structure with one Commission and one single Council (Laursen 2010: 1).

³⁴ Original W. Hallstein: “Die Regionalpolitik stellt sich nicht neben Währungspolitik, Landwirtschaftspolitik und Verkehrspolitik, Steuerpolitik, Konjunkturpolitik, Handelspolitik usw. auf dieselbe Ebene als eine von anderen Instanzen als dem Wirtschaftsminister, Finanzminister, Verkehrsminister usw. betriebene staatliche Exekutivtätigkeit, sondern sie durchdringt alle Wirtschaften“ (Europäische Wirtschaftsgemeinschaft Kommission, Volume 1 1961: 14).

³⁵ Original W. Hallstein “Da die Wirtschaftspolitik den Menschen in allen wirtschaftlichen Zusammenhängen, also auch in seiner räumlichen Bedingtheit, ergreift, findet sich in allen wirtschaftspolitischen Entscheidungen, in allen wirtschaftlichen Tun, ein regionales Element“ Europäische Wirtschaftsgemeinschaft Kommission, Volume 1:140 / The *Konferenz über Fragen der regionalen Wirtschaft* took place at 6-8 December 1961.

³⁶ Original W. Hallstein: “Die Regionalpolitik sieht den Menschen in seiner räumlichen Bezogenheit. Tatsächlich gehört der Raum, in dem er gestellt ist, neben der Zeit zu den historischen Bedingungen seines Lebens, ja zu den elementarsten Determinanten seines Daseins. Der Zwang, den diese Tatsache auf ihn ausübt, ist der Ansatzpunkt der Regionalpolitik“ (Europäische Wirtschaftsgemeinschaft Kommission, Volume 1 1961: 14).

The aim and intention of the European regional policy of the six founding member states was, in the first instance, to reduce economic and social disparities between the various regions of the European Union (cf. Heymans 1969: 15). Structured Europe-wide cross-border cooperation, as we have known it is since 1989, is embedded in overall European regional policy and cannot be explained without reference to the development of the European Regional Development Fund (ERDF) that was established in 1975.

Regional policy is mainly considered in association with economic policy and thus in this chapter the economic aspects of regional policy are also explained in detail.³⁷

Before the establishment of the European Regional Development Fund (ERDF) in 1975, the function of European regional policy was more that of redistributing the available funds in favor of the weakest member states. Miosga states quite specifically that a separate regional policy at the level of the Community did not exist at that time (Miosga 1999: 11). In fact, the establishment of the ERDF can be considered as the first step towards regional policy at the community level and as an important milestone in the European integration process.

It was a long journey towards the establishment of a structured form of European regional policy designed to stimulate cross-border cooperation, and this process developed in tandem with wider European integration; in fact, it was and remains an integral part of it. As Hooghe and Keating (1994: 367) have remarked:

“[...] the establishment and expansion of regional policy can be understood neither as simply Commission policy, nor as simply an interstate transfer, but are to be explained by a series of economic and political factors.”

³⁷ However, there are also social and political aspects of regional policy which will not be elaborated in detail in this dissertation. The social aspects of regional policy stem from the fact that European states committed themselves in the post-war era to greater equalization of living standards within their own national territories. In contrast to the idea of “free movement of labour”, where labour would move to regions of possible employment, the social case says that people should be allowed to remain in their own communities, preserving their cultural and social traditions, rather than being forced to follow capital and migrate to new locations. The political aspect of regional policy stemmed from the need to legitimize the new economic and political order, especially in peripheral regions or those which stood to lose from the change (Hooghe and Keating 1994: 369-370).

However, the European Commission, with its current function of managing the Structural Funds for regional development, plays a major part in conducting European regional policy and cross-border cooperation.

4.1 The early stages of European integration

Overall, the years immediately following World War II were years of convergence, when nation states negotiated with each other and sought to discover how they could best act together and where the boundaries of convergence were (George and Bache 2001: 45, 87ff). The states of Europe had to reorient and redefine themselves, partly by redefining and restructuring the apparatus of the state at the national level, but also by looking to one another and attempting to establish connections and cooperate. A growing interest in Europe as a whole came increasingly into play during those early years following the end of World War II:

“The Second World War was a catalyst for a renewed interest in European unity. It contributed to arguments that nationalism and national rivalries, by culminating war, had discredited and bankrupted the interdependent state as the foundation of political organization and international order, and that a replacement for the state had to be found in a comprehensive continental community” (Cini 2007: 14).

An awareness of the advantages of working together between the states was born.

In reality, economic factors were ultimately the main reason for inter-state cooperation in Western Europe.³⁸ The creation of new international and financial arrangements within Europe right after World War II were the first fruits of the *Bretton Woods* Conference in 1944, where the representatives of forty-four countries agreed to the establishment of two new bodies: the *International Monetary Fund* (IMF) and the *International Bank for*

³⁸ The economic aspect was also important because the *European Recovery Program* (Marshall Aid) that was given to Europe by the US came with the requirement that recipient states endeavor to promote greater economic cooperation among themselves (cf. Nugent 2006: 18).

Reconstruction (the World Bank).³⁹ In 1947, the IMF and the World Bank became operative and, in addition, international economic cooperation was taken a step further when twenty-three countries negotiated the *General Agreement on Tariffs and Trade* (GATT), with the aim of facilitating trade by lowering international trade barriers (Nugent 2006: 17).

Another example of the multiple initiatives for international cooperation undertaken around that time was the *Treaty of Brussels*, which included France, the UK and the Benelux countries in March 1948 (Segers 2007: 51). The aim of this Treaty was to promote collective defense and improve cooperation in the economic, social and cultural fields (Nugent 2006: 587). In April 1948, this resulted in the first major post-war Western European organization, the *Organisation for European Economic Cooperation* (OEEC) with sixteen founding member states. The OEEC's immediate task was to manage the receipt of US aid, encourage joint economic policies and discourage barriers to trade. Its long-term aim was to build "a sound European economy through the cooperation of its members" (Nugent 2006: 18). The OEEC can be considered as one of the 'integration initiatives' within the first years of World War II, but it remained intergovernmental, as did the Council of Europe (CoE) which was established in 1949, and was only able to operate with its full consent of all member governments (cf. Segers 2007: 51; Nugent 2006: 587, 18; Cini 2007: 18).

In contrast to their willingness to engage in new intergovernmental projects, states were less enthusiastic when organizations were proposed that went beyond intergovernmental cooperation and into supranational integration. Hence, the more ambitious post-war schemes, such as the establishment of the *European Coal and Steel Community* (ECSC) (founded in 1951 through the Treaty of Paris), the *European Defense Community* (EDC) (1952-1954), which was never actually established, the *Western European Union* (WEU) which came into effect in May 1955 and later the *European Economic Community* (EEC) in 1957 and the *European Atomic Energy Community* (EAEC or Euratom) also in 1957, initially involved only a limited number of states and were mainly economically orientated (Nugent 2006: 22, 41; George and Bache 2001: 56f; Segers 2007: 54).

³⁹ The IMF was established to alleviate currency instability by creating short-term credit facilities for countries with temporary balance of payments difficulties. The World Bank was founded to provide long-term loans for schemes that required major investment (Nugent 2006: 17).

After the establishment of the OEEC in April 1948, the federalist Congress of Europe met in The Hague in May 1948 (Cini 2007: 16f). The central debate at this congress was not whether there should be integration, but rather what form it should take. Governments and political parties took positions on the question of whether it should be confined to intensive intergovernmental collaboration embedded in formalized treaties and arrangements, or whether it should be something deeper that would embrace an element of supranationalism and which would therefore involve a reduction in national sovereignty (Cini 2007: 17).

On 9 May 1950 Robert Schuman, the French Foreign Minister of 1948-1953, put forward a proposal for supranational cooperation in Western Europe. This plan, which was basically borne out of the technical and administrative initiative and behind-the-scenes drive of Jean Monnet, concerned the coal and steel sectors, with the aim of placing them under one common supranational authority (Segers 2007: 52). As Cini points out:

“Monnet himself saw the *European Coal and Steel Community* (ECSC) as the opening phase of a process of sectoral integration, where the ultimate goal of political union would be the long term-culmination of an accretion of integrative efforts, of trust and experience, in a sector-by-sector linkage of specific economic areas and activities that ultimately would result in a common economic market” (Cini 2007: 19).

Schuman declared that “it is no longer the moment for vain words, but for a bold act – a constructive act” (Nugent 2006: 587). But he also said that “Europe will not be made at once, or according to a single plan” (Cini 2007: 15).

Both men, Monnet and Schuman, were enthusiastic supporters of a European unity; however, they did not believe that the OEEC and the Council of Europe would provide the necessary impetus, mainly because anyone could exempt themselves from a decision (Nugent 2006: 36). They came to the conclusion that in Monnet’s words:

“A start would have to be made by doing something both more practical and more ambitious. National sovereignty would have to be tackled more boldly and on a narrower front” (Monnet 1978: 274 in Nugent 2006: 36).

The new idea behind the plan was to gain control through cooperation. This plan was a significant change in direction for French foreign policy – firstly because former rivals (France and Germany) would cooperate in the field of coal and steel, a sector that had been crucial in the war effort of the German regime under Hitler, and secondly because France would give away sovereignty to a supranational body, something which in the past it had always been reluctant to do. In this way, the establishment of the ECSC can be considered the first step towards a supranational Europe. Its establishment meant, that for the first time (Western) European states would voluntarily relinquish part of their sovereignty, however limited, in favor of the Community (Nugent 2006: 36f).

The ECSC Treaty was extremely ambitious, not only because it implied the creation of a free trade area but also because it established a common market in what at the time were some of the basic building blocks of any industrialized society (coal, coke, iron ore, steel and scrap) (Nugent 2006: 37). Besides that, the ECSC was made up of new centralized supranational institutions, which had the power to:

“see to the abolition and prohibition of internal tariff barriers, state subsidies and special charges, and restrictive practices; fix prices under certain conditions; harmonise external commercial policy, for example by setting minimum and maximum custom duties on coal and steel imports from third countries; and impose levies on coal and steel production to finance the ECSC’s activities” (Nugent 2006: 37).

Germany, France, Italy, Belgium, the Netherlands and Luxemburg participated in the ECSC and signed the Treaty on 18 April 1951, only three years after the founding of the OEEC.⁴⁰ The ECSC came into operation in July 1952 and lasted until the expiry of the Treaty in July 2002, when the ECSC’s responsibilities and activities were transferred to the European Community (Nugent 2006: 37: 588; Segers 2007: 52).

The High Authority was established as part of the ECSC and was – according to Article 8 of the ECSC Treaty – appointed to “[...] ensure that the objectives set out in this Treaty are attained in accordance with the provisions thereof” (Nugent 2006: 38).

⁴⁰ The ECSC-Treaty is also known as Treaty of Paris.

In order to achieve this aim, the High Authority was able to issue, on its own initiative or after receiving the assent of the Council of Ministers, decisions (which were binding in all respects to the member states), recommendations (which were binding in their objectives), and opinions (which did not have a binding force) (Nugent 2006: 38). The High Authority had no 'decisive authority' but it was granted decision-making autonomy in fields such as prohibiting subsidies, taking action against restrictive practices, promoting research and controlling prices under certain conditions (cf. Segers 2007: 53). The clearly supranational character of the High Authority was evident not only from the array of powers at its disposal but also from its membership. The body had nine members, at least one from each member state, but crucially all of them were to be "completely independent in the performance of their duties" and no one would be or should regard themselves as being a national delegate or representative (Nugent 2006: 38).⁴¹

Alongside the High Authority, three more supranational institutions were created within the ECSC: the Council of Ministers, the Common Assembly and the Court of Justice (Nugent 2006: 38f). The High Authority was controlled by the Common Assembly, which consisted of 78 representatives. However, the 'decisive power' within the construction of the ECSC resided with the Council of Ministers, on which politicians from the governments of the member states had a seat (Nugent 2006: 38f; Segers 2007: 53).

In the early years of the ECSC, it was judged to be an economic success (Nugent 2006: 40). As Nugent (2006: 40) explains, custom tariffs and quotas were abolished, progress was made on the removal of non-tariff barriers to trade, the restructuring of the industries was assisted, politicians and civil servants from the member states became accustomed

⁴¹ Comparing this last statement with the Commissioners and staff of the current European Commission, we can see that the High Authority is a direct ancestor of our current Commission in which European civil servants have gone beyond national stereotypes. As McDonald pointed out, phrases such as "We don't think in terms of national differences" are common and that there exists an *esprit européen* and a European identity among the staff of the Commission. Further on she explains that if there are differences, they are "personality differences" and if there are cultural differences, than that is part of Europe's "richness" (McDonald 2000: 62). In the fieldwork of this research at the European Commission, the same quotes were given: working for the Commission means going beyond your own nationality towards a European identity (cf. interview 8 2009, interview 9 2009).

to working with one another and, above all, output and inter-state trade rapidly increased.⁴²

The first incarnation of a European regional policy can also be found within the ECSC in the way it implemented policy on investment and financing and in its policy on competition and cartels. On the one hand, the ECSC took care to support projects in less developed regions and on the other hand it also supported projects that aimed to dismantle overdominant industrial sectors in order to stimulate the growth of a particular region (Heymans 1969: 22f). For example, regions that suffered due to the fact that coal mines were being closed received special aid from the ECSC. Thus, under the auspices of the ECSC, several grants were given to regions that suffered due to the restructuring of the coal and steel sector. With these ECSC loans it was possible to finance infrastructural projects such as the regeneration of industrial sectors and other infrastructure projects (Spudulyte 2003: 81). Later, regional studies carried out by the ECSC helped to bring about plans for the adjustment of regions with outmoded industrial structures (Heymans 1969: 23).

Even though the ECSC loans went to support a specific sector, the regional concentration on *Montanunternehmen* (e.g. the *Ruhrgebiet*) showed the importance of this support at the regional political level (Spudulyte 2003: 81). The ECSC loans were a way to try to solve the problems that had been brought about by the structural crisis since the beginning of the 1960s. The ECSC “[...] supports [...] specifically within its constitutional framework the easing of the necessary structural changes in the coal and steel sectors” (Franzmeyer et al. 1975: 95).⁴³

The instruments that the ECSC used were loans and financial support (in German the words ‘*Darlehen*’ and ‘*Beihilfen*’ were used). Due to the fact that the ‘*Montanindustrie*’ is concentrated in particular regions, this sectoral support was in effect also a form of regional support (Franzmeyer et al. 1975: 97).

⁴² Nugent commented that many economists question now whether these increases occurred *because* of the ECSC (Nugent 2006: 40).

⁴³ Original citation: “[...] trägt [...] im Rahmen ihrer vertraglichen Möglichkeiten insbesondere dazu bei, die auf dem Kohle- und Stahlsektor notwendigen strukturellen Veränderungen zu erleichtern” (Franzmeyer et al. 1975: 95).

4.2 Paving the way for supranationalization: from the ECSC to the EEC

The six states which signed the Treaty of Paris in 1951 to found the ECSC went on to sign the Treaties of Rome to found the EEC and European Atomic Energy Community (EAEC or EURATOM) in 1957, and thus the European Communities (EC) began their life as an agreement between interdependent nation states (Laursen 2010: 2; Stone Sweet and Sandholtz 1998: 1).⁴⁴ The Treaties of Rome came into effect on 1 January 1958 (Nugent 2006: 42).

With the signing of the Rome Treaties in 1957, the European Communities took on broader responsibilities relating to atomic energy (under the Euratom Treaty) and the establishment of a common market, a common commercial policy, a common agricultural policy and a common transport policy (under the European Economic Community Treaty) (Pollack 2000: 521).

Of the two Treaties of Rome, the EEC Treaty was by far the most important (Nugent 2006: 43). The aim of this Treaty was to establish a common market (defined as the free movement of goods, persons services and capital), to approximate national economic policies and to develop common policies, most specifically in agriculture. Thus the objectives of the Treaty were expressed mainly in economic terms, but the preamble implied that there was a political purpose behind them with its inclusion of the words “determined to lay foundations of an ever-closer union among the peoples of Europe, [...]” (Treaty of Rome 1957, preamble: 2; Cini 2007: 21). After the signing of these two Treaties, three European Communities existed alongside each other and had separate ‘executives’ in the form of the High Authority of the ECSC, one Commission for the EEC and another Commission for Euratom. The three Communities also had separate Councils of Ministers. Only the European Court of Justice (ECJ) and the Parliamentary Assembly (the later European Parliament) were shared by all three Communities (Laursen 2010: 2).

⁴⁴ Explaining the terms EEC, EC and EU according to Dinan (Dinan 2010: 6), who points out that the European Union (EU) came into existence with the Maastricht-Treaty (1992). Earlier still, the name of the European Economic Community (EEC) changed to the European Community (EC), although the acronym EC was already widely used to describe not only the EEC but also, collectively, the three original communities.

Thus, the Treaty of Paris and the two Treaties of Rome were the Founding Treaties of the three European Communities, and they marked major steps forward in the development of post-war interstate relations by the time they were signed. They laid the foundation on which the signatory states would integrate specific and core areas of their economic activities, and a degree of supranationalism was incorporated into the decision-making procedures that they established for the new Communities (Nugent 2006: 47).

4.3 European Regional Policy within the EEC

This section will elaborate on regional policy within the EEC Treaty and under the EEC in general. At the time when the Treaties of Rome were signed, regional policy was not an important point of discussion, since the heart of the debate focused on economic integration. As Vorauer (1997: 17) states, the joining of the six states into one ECSC construction in 1952 and again in 1958 with the establishment of the EEC was underpinned by very clear political and economic aims without any explicit regional implications.⁴⁵

First of all, we should be clear that the aim of the Treaty was, on the one hand, to establish and oversee common policies in fields of agriculture, infrastructure, trade and competition. Thus the main focus of the EEC was to establish a common internal or 'single' market. On the other hand, the purpose of the EEC was to coordinate national economic policies with the goal of enhancing integration within the EEC. The thinking behind this was that the establishment of a common internal market would lead to increased economic growth and also reduce regional disparities within the community (Schindler 2005: 39).

⁴⁵ The 'political aim' in this respect was the idea of European integration after WWII which had two aims – firstly to build up a bloc against the Soviet influence in the east and secondly as a tool to promote sustainable peace between Europe's two former enemies Germany and France. From the economic perspective, the new community was seen as a chance to retain a more competitive position against the leading economic powers of the United States of America and Japan (Vorauer 1997: 18).

The idea was that in a perfect market, equilibrium would be achieved and maintained by the free movement of capital and labor and that labor would migrate to areas of growth in search of employment and higher wages (Hooghe and Keating 1994: 368; see also footnote 36). In short, market distortions needed to be removed and the Commission's role was to ensure progress towards this idea of a common market, "where conditions resemble those on a domestic market and where there is effective competition" (Von der Groeben 1969: 1). As such, the EEC Treaty did not include any specific norms that clearly defined the terms of regional policy (cf. Heymans 1969: 17).

However, there was also an awareness that it was essential to have regional dividing lines within this market, in order to get a better grip of the regional problems and to place them in their geographical context, to gauge their importance and to ensure appropriate solutions (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 61).⁴⁶

A special working group concerning regional policies was set up on 25th September 1959, consisting of representations from the member states. This working group made it clear that the term 'region' could also be useful in a sociological sense, such as in cases where inhabitants of one region have some special attributes in comparison with other regions. The working group identified various socio-economic regions within Europe that might deserve special attention (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 62; Commissie Europese Economische Gemeenschap, deel 2 1961: 70).⁴⁷

Discussions at a special conference on the subject held later on in 1961 defined the exact borders of those socio-economic spaces. In practice it would be important to take care that these regions should not be too large, because then they would have the same borders as the national states and thereby lose their importance as distinct socio-economic units. However, the other extreme – making these units too small – would

⁴⁶ Original German quote: "Eine gebietsmäßige Aufteilung ist jedoch unerlässlich, um die regionalen Probleme konkret zu erfassen, sie in ihren geographischen Rahmen zu stellen, ihre Bedeutung zu ermessen und entsprechende Lösungen zu finden" (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 61).

⁴⁷ Within the Dutch version of these documents, the German word *Gebie'* is translated as *streek* (cf. Commissie Europese Economische Gemeenschap, deel 2 1961: 69f). There is no English version of those two documents (cf. Commissie Europese Economische Gemeenschap deel 1 and deel 2; Wirtschaftsgemeinschaft Kommission, Volume 1 and Volume 2 1961).

mean that there would be too many regions. If the regions were just the same as cities or towns, their economic and sociological importance would also be undermined (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 62).

At that time, confusion prevailed about the terms 'regional policy' and 'regional structural policy'. These terms were used very often in practice and with no clear explanation or definition (Heymans 1969: 1). Heymans (1969: 1) states that – at that time – in the economic theories as well as in daily practice, there was no commonly accepted definition of the words 'regional policy'.

Generally, there was agreement on the fact that the economic integration in Europe would only work if regional imbalances, especially in respect to income, employment and infrastructure, were moderated.

4.3.1 Border Regions in the early documents of the EEC

At the same conference of 1961 – the German *Ministerialrat a.D.* (Head of Division, retired) J.D. Lauenstein explained the term *Grenzzone* in the North of the Dutch-German border-area (area Emsland/Drenthe and Groningen) as follows:

“We need to discuss a region that is developing on *both sides* of a national border *at the same time*. It is an area that was always homogeneous by nature, but that became divided due to the geography of surrounding marshland that could not be crossed, but *this division no longer exists* because of the cultivation of this land on *both sides*” (Europäische Wirtschaftsgemeinschaft Kommission, Volume 1 1961: 159).⁴⁸

With that brief description of this particular Dutch-German border area, Lauenstein pointed out geographical changes that had taken place and the consequences of this for

⁴⁸ “Es ist zu berichten über einen Raum, der *beiderseits* einer nationalen Grenze *gleichzeitig* entwickelt wird. Ein Raum, der von seiner Beschaffenheit her *gleichartig* war und dessen *einstige Trennung* durch ungangbare Moore infolge Kultivierungen *beiderseits nicht mehr existiert*“ (Europäische Wirtschaftsgemeinschaft Kommission, Volume 1 1961: 159).

the border area itself. While in the past, the border between the two countries in that particular area had been very vague because of the marshland that separated the two areas on both sides of the border, that situation changed with the (partial) cultivation of that land for agriculture. That cultivation had created one single area which was divided by a national border that was no longer blurred, because the land had become usable, unlike the former area of marshland.

At the same conference, other European border areas or regions were also introduced in detail: the Province of West-Flanders (Belgium), South Luxembourg, the French North Lorraine and Luxemburg (Europäische Wirtschaftsgemeinschaft Kommission, Volume 1 1961: 189-202; 203-240; 241-265). That report on the separate border regions showed clearly that every border area was different and faced its own issues and challenges. The differences were geographic, economic or demographic in nature. However, the common ground for border areas was – and still is – always the same: the division of an area by a national border. Later – in the closing report of the conference – it was acknowledged that where border areas had the same economic structure, the development could be coordinated by undertaking the same actions at the same time. Examples of border areas with a similar economic structure at that time were given as: Eifel/Ardennen and Emsland/Drenthe; and the examples of actions undertaken were river management, common infrastructure or common farm or land consolidation (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 25). During the conference, S. Mansholt also emphasized “special problem border areas” (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 11). He spoke of “changing problems” within these areas caused by the disappearance of economic borders, while political borders – or in other words the administrative borders – remained. He confirmed that on the one hand border areas were and would remain far from administrative centers, while on the other hand economic borders would diminish through the establishment of a single common market. That tension would lead to many questions to which there were not yet any answers, he said. Later, Mansholt explained that, in general one set of border-area problems would disappear through the abolition of economic borders, but that new adjustments and movements would have to be taken into consideration (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 12). Mansholt explained that there was an important agreement during the discussions

concerning border areas in general, which was “cross-border cooperation should begin immediately” (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 12).⁴⁹

The document of the ‘*Erstes Programm für die mittelfristige Wirtschaftspolitik*’ of 1967 focused particularly on areas near the Community’s internal borders in its appendix to the chapter on ‘Regional Policy’, where it states that:

“For regions situated on the common border of member states, the progressive dismantling of economic borders increases the necessity for cooperation, which should focus mainly on improving infrastructure and therefore on the infrastructural connections across borders. Steps that lead to the development of such areas should form the basis of development programs. Such programs should enable a mutual exchange of point of views across the border and for such projects which had an effect on the neighboring region, [...]”(Europäische Gemeinschaften 1967: 166).⁵⁰

Thus came recognition of the specific issues faced by border regions within the wider process of European integration in which the internal market was to be completed in the long run, and the improvement of cross-border infrastructure was identified as a focus for regional policy programs.

⁴⁹ Original quotation: “dass es sich insbesondere hier um ein Gebiet handelt, auf dem sofort mit einer Zusammenarbeit über die Grenzen hinaus begonnen werden muss” (Europäische Wirtschaftsgemeinschaft Kommission, Volume 2 1961: 12).

⁵⁰ Original quotation: “Für die an den gemeinsamen Grenzen der Mitgliedstaaten gelegenen Gebiete erhöht der progressive Abbau der wirtschaftlichen Grenzen die Notwendigkeit der Zusammenarbeit, die vor allem auf die Verbesserung der Infrastruktur gerichtet sein muß und insbesondere auf die Verkehrsverbindungen über die Grenzen hinweg. Die zur Entwicklung dieser Gebiete vorgesehenen Maßnahmen sollten zum Gegenstand von Programmen gemacht werden, die es erlauben, die Absichten beiderseits der Grenzen kennenzulernen und für diejenigen Projekte, deren Wirkungsbereich sich auf die Nachbarregion erstreckt, [...]“ (Europäische Gemeinschaften 1967: 166).

4.4 The development of a common European Regional Policy after 1957

As explained previously, after the signing of the Treaties of Rome (1957) there were three European Communities (EC) (the EURATOM, EEC and ECSC). These Communities had separate 'executive' bodies in the form of the High Authority of the ECSC and one Commission each for the EEC and EURATOM. These three Communities also had separate Councils of Ministers but they shared one European Court of Justice (ECJ) and the Parliamentary Assembly (the later European Parliament) (Laursen 2010: 1). Suggestions concerning the possible merger of the three 'executives' started to emerge soon after the Treaties of Rome came into force in 1958. On 8 April 1965, negotiations on merging these three separate communities were concluded with the signing of the Merger Treaty (or Brussels Treaty) at an Intergovernmental Conference (IGC). This Treaty came into force on 1 July 1967 after being ratified by the six member states and it meant that the three executive bodies of the hitherto separate Communities were merged into a single institutional structure with one Commission and one Council (Laursen 2010: 1; Nugent 2006: 589).

In short, the European Commission of today has its origins in the High Authority which was established in 1951 as an institution of the ECSC but has over time become a supranational executive body that is responsible for the implementation of European policies and is representative of the organization as a whole rather than of the organization's individual member states. The European Commission was first empowered through the ratification of the Merger Treaty (Laursen 2010: 1; George and Bache 2001: 88).

After 1967 the communities existed alongside each other and shared the European institutions: the supranational Commission and the intergovernmental Council, as well as the Parliamentary Assembly and the Court of Justice, which they had already shared before 1967. In the same year, a separate Directorate-General for Regional Policy was established within the Commission in line with the aim of achieving a Europe with more balance between its regions. At this point, we need to refer briefly to the theoretical model of this dissertation: the establishment of one common supranational Commission and of a separate DG responsible for regional policy within it can be formally considered the first supranationalization shift of this case study.

Preliminary thinking developed on the practical implementation of European region policy during the period immediately after signing the Treaties of Rome. As explained previously, no common regional policy was defined in the Treaties of Rome, but the Commission did seek to gain competencies in this field. In its first annual report of 1958, the Commission emphasized that there was a need for a common regional policy (Holtzmann 1997: 102; Europäische Kommission 1958). Under the chapter “Harmonisierung der Expansion und der Regionalpolitik”, it says this on the regions and areas of the member states:

“The existing imbalances have to [...] be reduced. Economic development should therefore be harmonized across the member states and their most important regions in different ways, [...]” (Europäische Kommission 1958: 45).⁵¹

In the early stages of European regional policy, the Commission wanted on the one hand to coordinate the national regional policies of the member states, and on the other hand to encourage the discussion about a separate regional policy at the Community level (Holtzmann 1997: 102). In the Commission’s second annual report in 1959, it defined which areas or regions were less developed in relative terms. These were remote areas that were “[...] relatively less developed; the higher the distance to the central zone, the less developed the area is, measured in terms of the social product per person of the population” (Europäische Kommission 1959: 50) and areas of southern Italy were named specifically (Europäische Kommission 1959: 51).⁵²

The main goal of a common regional policy was to reduce existing disparities between the various European regions and to benefit from growth potentials that had hitherto not been used through common financing (Schindler 2005: 48; cf.).

In 1967, the Commission submitted its ‘initial program’ and this was duly approved by the Council. In a section on regional policy, concrete guidelines for the regional policy of the member states and the community-level institutions were elaborated. In short, this

⁵¹ Original citation: “Die bestehenden Unterschiede müssen [...] vermindert werden. Die wirtschaftliche Entwicklung wird daher in den Mitgliedstaaten und ihren wichtigsten Regionen in verschiedener Weise angeglichen werden müssen, [...]” (Europäische Kommission 1958: 45).

⁵² Original citation: “[...] verhältnismässig am wenigsten entwickelt; je weiter sie von der Mittelzone abliegen, um so niedriger ist ihr Entwicklungsstand, gemessen an dem Sozialprodukt pro Kopf der Bevölkerung“ (Europäische Kommission 1959: 50).

'first program' was a start for the 'programmatic acknowledgement' of regional policy. The reason for this was the awareness that balanced, medium-term economic growth meant bringing about a better balance between the regions of the Community and in particularly helping lagging regions to catch up. These steps were to be "directed in such a way that in the disadvantaged regions, the necessary conditions would be created to stimulate the deployment of economic initiatives in respect to a mobilization of the product resources still available. In the meantime, care must be taken that the overconcentration of economic activity, which is connected to an above average increase in economic and social costs and that consequently impact on overall economic growth, is avoided" (Europäische Gemeinschaften 1967: 41; cf. Holtzmann 1997: 102).⁵³

On 17 October 1969, the Commission put forward its first suggestion for regulation in this field in which it formulated its regional political aims. There were four elements: the establishment of regional development programs by the Commission and member states; the establishment of a permanent committee for regional development consisting of representatives of the Commission, the EIB and the member states; financial support through interest payments and bonds; and the coordination of spatial policies by the Community (Holtzmann 1997: 102f). The most central point here was the establishment of the 'development programs' for less developed regions. The common financing of these regional plans would be realized by creating 'interest payments and bonds' for regional development (Schindler 2005: 48).

These proposals were not approved by the Council, however, but surprisingly, on 22 March 1971, the Council itself grabbed the initiative and emphasized that a European regional policy was in the interests of all member states and that the Commission should be given the appropriate instruments with which to solve regional difficulties in the Community (Holtzmann 1997: 103). The reasons for this sudden acceleration in this policy field, whereby the Council suddenly took the initiative, lay in the determination of

⁵³ Original quotation: "Sie [Die Maßnahmen] sollten vor allem so ausgerichtet werden, daß in den benachteiligten Gebieten die notwendigen Voraussetzungen für die Entfaltung wirtschaftlicher Initiativen im Hinblick auf eine Mobilisierung noch vorhandener Produktionsreserven geschaffen werden. Zugleich ist dafür Sorge zu tragen, daß übertriebenen Ballungen der wirtschaftlichen Aktivitäten entgegengewirkt wird, die mit überproportional steigenden wirtschaftlichen und sozialen Kosten verbunden sind und infolgedessen die allgemeinen wirtschaftlichen Wachstumsmöglichkeiten beeinträchtigen" (Europäische Gemeinschaften 1967: 41; cf. Holtzmann 1997: 102).

the Council to achieve European economic and monetary union within 10 years (cf. Werner Report⁵⁴ in Holtzmann 1997: 103; Schindler 2005: 48-49). The Werner Report highlighted the possible negative regional effects, and the need to develop one common regional policy in addition to the individual regional policies of the member states (Schindler 2005: 49; cf. Verdun 2007: 325).

Another important trigger in acknowledging the necessity of a common regional policy was the decision to enlarge the Community northwards to include the UK, Ireland and Denmark at a summit in October 1972 in Paris. This was because in the UK, agriculture made up only a small part of the economy and the UK imported much of its agricultural products from its former colonies in the Commonwealth. This meant that the UK would pay more towards the Community to support agriculture throughout the Community than it would receive from the existing Structural Funds. For that reason the UK formulated a condition before joining the Community, which was the establishment of an 'equalization fund' (German: *Ausgleichfonds*) (Holtzmann 1997: 103-104). On the principle of the political wil of integrating the UK into the Community, the Community agreed to the conditions of the UK and with that the establishment of the European Regional Development Fund in 1975 was a fact. Before the fund was established, the heads of governments of the member states gave the European Commission until 31 December 1973 to address the task of establishing a fund for regional development with the goal of reducing the largest regional disparities (Holtzmann 1997: 104). At the summit of Paris in 1974, the heads of governments decided that the European Regional Development Fund would come into effect on 1 January 1975 with the aim of correcting the principal imbalances in the Community (Council 1975 No 724/75, preamble). As will be explained more in detail in chapter 5, the European Regional Development Fund (ERDF) was established in 1975 as a step towards conducting regional policy.

⁵⁴ The Werner Report of 1970 was the first paper of the European institutions whose principal aim was to bring about European monetary union. The name 'Werner Report' came from the minister president of Luxemburg Pierre Werner (EU ABC, web page, access 17.08.2012).

4.5 Summary

Chapter 4 has examined the emergence of European regional policy in the overall context of European integration, beginning immediately after the end of the Second World War; this phase witnessed a supranationalization shift in which authority was transferred from the member states to the European institutions, particularly the executive body of the European cooperation.

In the very early years after World War II, cooperation took place on an intergovernmental basis, but in the 1950s the first supranational body had been established in the European Coal and Steel Community (ECSC). The High Authority of the ECSC can be seen as the direct forerunner of the later supranational European Commission, that was established in 1967, when the Merger Treaty of 1965 came into effect.

The signing of the Treaty of Rome (1957) represented a milestone in European integration. The Treaty does not mention the subject of a common European regional policy explicitly; however, in official European documents the awareness of creating a balanced Europe and enhancing the economic and structural situation of border regions was the subject of increasing attention, and the practical consequences of this increasing awareness were clear in the conferences and discussions held on this increasingly important topic in the years between the Treaty of Rome (1957) and the Merger Treaties (1965/67) that merged the three separate European Communities (the EEC, EURATOM and the ECSC) into one supranational construction. At the heart of these arguments was the wish to promote balanced economic development across the regions of Europe and achieve a more balanced Europe with a better economic climate. The most important developments in cross-border governance in this period were the development of the European Communities and the later establishment of the European Commission and especially the creation of a separate Directorate General for Regional Policy in 1967 within the organizational structure of the Commission.

The development of the European integration process, as described in this chapter, represented a significant shift in competences, away from the member states towards central European agencies that were empowered to implement new policies. The

member states, acting as Principals, gave European Institutions, and the European Commission in particular, the supranational authority to develop a common European economic and structural policy and thus created an Agent with considerable leeway to act under its own initiative.

Considering *illustration 4* of this chapter, wherein the first step of the MLG-PA model (see also *illustration 3* in section 3.3.1) which is created for the purpose of this case study, it can be seen that the multiple first Principals built up the (first) Agent by establishing supranational institutions, especially the European Commission with its separate DG for Regional Policy. So far two levels of governance are involved and one shift of authority happened.

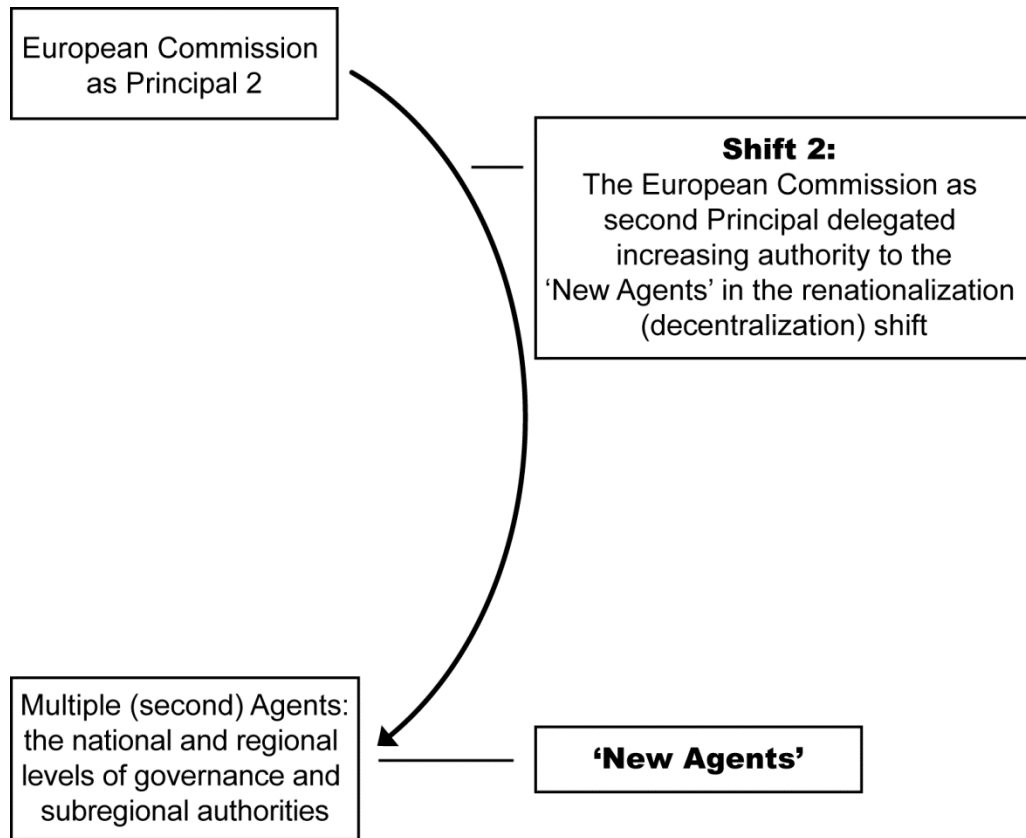
5. Renationalization Shift: Implementing Regional Policy from 1975 until 2013

This chapter will focus on the European Regional Development Fund (ERDF) and how it has been implemented since 1975, right up until the present day. It will describe how the second shift – that is called also ‘renationalization shift’ in this dissertation – took place, in which national (in Germany also regional) actors become directly involved in European policy making to an increasing extent, and also examine the consequences for the authorities involved at the different levels of governance. The ‘renationalization shift’ therefore started by the introduction of the ERDF in 1975, that can therefore be considered as kind of a turning point for this case study.

When the ERDF was established, the European Commission gained decision-making powers over how these funds were to be distributed and was free to forge cooperative relationships with subregional and regional governments, as well as with social partners and organized civil society (Piattoni 2010: 105f.). The establishment of the ERDF was thus an important step for the Commission and enabled it to act as a more independent institution, since it was able to support subregional and regional groups by providing funding that had previously only been available through national governments, if at all (Nugent 1995: 242). However, in general, the role of the Commission in implementing EU policies has, over time, become increasingly that of coordinator and overseer. Nowadays, the Commission seeks to supervise, or at least hold a watching brief over the national agencies and how they perform their duties on behalf of the EU (cf. Nugent 2006: 175). In this case, supervising means that the European Commission has delegated responsibility for implementing the ERDF towards the national (regional and subregional) levels of the member states. In that way, the point at which the ERDF began to be implemented can be regarded as the beginning of the second shift – the renationalization shift – that occurred throughout the 1980s, 1990s and 2000s due to a series of reforms in the funds. *Illustration 5* below shows how the renationalization shift took place and the European Commission, as a new Principal, gave authority to new Agents.⁵⁵

⁵⁵ As explained in chapter 3 in Germany the regional ‘*Bundesland*-level’ is responsible for implementing European regional policy.

Illustration 5: The renationalization shift⁵⁶



(Source: Own illustration)

Giving authority (back) to the member states, and to regional and subregional actors, also involved regulating to ensure conformity to the rules of the funds and the establishment of mechanisms for controlling and auditing at the supranational level. Consequently, a few years after the launch of the ERDF, regulations were revised and several series of reforms led to the development of a more complex system (see also section 5.1.1).

⁵⁶ The second shift will be called the 'renationalization shift' in this dissertation. However, this shift could also be called 'decentralization shift' seen from a supranational perspective.

5.1 Launching the European Regional Development Fund (1975)

The European Regional Development Fund (ERDF) was set up in 1975 and was a further step towards an active European regional policy. The introduction of the fund took place two years after the EEC had been enlarged to include Ireland, Denmark and the UK. The enlargement had meant the Community was no longer a group of states with a relatively equal level of development and it now included some extreme variations in wealth and economic frameworks (cf. Vorauer 1997: 48). The fund provided financial support for the development and structural adjustment of regional economies, economic change, enhanced competitiveness as well as territorial cooperation throughout the EU (European Commission 2011, web page, access 10.08.2011). The ERDF was limited to less prosperous regions and focused mainly on productive investment, infrastructure, the development of small and medium-sized enterprises (SMEs), and research and development projects (Boldrin and Canova 2001: 223).

Basically, European regional policy in the form of the ERDF was initially designed to support national regional policies and thus it only supported those regions that were defined by the member states themselves through their own regional policies. In effect, member states retained decision-making power over which regions should be supported and to what extent this should occur. Hence, in the period 1975-1979, the member states themselves selected the regions that would be eligible to receive funding and which regions would receive funding, but there were no effective mechanisms to ensure that the money actually reached the target regions. In general, governments came up with projects that would receive funding and mainly the grants and infrastructure spending were simply channeled into plans and projects that had already been planned, or even, as Hooghe and Keating (1994: 372) state, that had already been completed. During this 'phase of participation', then, the member states broadly retained their dominant role and the European Commission was not involved in their decisions. Neither did it have any meaningful way of monitoring the implementation of the projects (Giolitti 1983: 11; Hooghe and Keating 1994: 372; Holtzmann 1997: 104). According to Hooghe and Keating (1994: 272f), a serious problem with the ERDF during this first phase of implementation was the question of 'additionality'.⁵⁷ It was difficult to determine whether

⁵⁷ The later introduced basic principles of the Structural Funds, where the principle of

Community resources were additional to national regional policy expenditure or they were merely another mechanism for financing this expenditure. The European Commission insisted on the additionality of the Community funds for regional policy, while the member states equally tried to treat them as part of their consolidated fund. The Commission had no Community-wide database and so no means of making comparisons across the Community; however, in 1975 a start was made on defining the regions according to the NUTS categorization (Hooghe and Keating 1994: 373).⁵⁸ Also the later 'principle of concentration' of the fund was almost absent in this phase, because the fund did not concentrate resources on regions that needed them but rather tried to give every member state a slice of the cake. There were no development goals for a common European structural policy (cf. Vorauer 1997: 48). In fact, regions that were relatively prosperous and located in wealthy states could qualify for ERDF money if there was national support. Meanwhile poorer regions in poorer states often received little support in the form of national funding and this meant that those regions could not receive any money from the ERDF, because of missing cofinancing. Additionally, member states were able to scale back their own investment purely on the basis that there were fixed quotas for all member states. Finally, ERDF support was also rather one-sided, because – as will be explained below – the projects that received financial support mainly involved production-orientated infrastructure, while other regional aspects, such as housing structure or regional population, were ignored (Holtzmann 1997: 105).

Initially, the ERDF was able to support projects and plans within the industrial and service sectors with up to 20% funding, infrastructural projects with up to 30% funding, other projects of regional importance with up to 40% funding and projects related to research for financing future projects and plans with up to 50% funding. Applications for support were submitted by the member states and the decisions were laid before the Commission, after a hearing of a committee that included representatives of all member states (Council 1975 No 724/75, Art. 12; Giolitti 1983: 11).⁵⁹

'additionality' is part of (next to 'concentration', 'partnership' and 'programming') will be elaborated later on in sections 5.3; 5.3.1; 7.1 and 7.3.

⁵⁸ Today the European Commission uses specific regional units as targets for the process of convergence. These regional units are divided into NUTS1, NUTS2 and NUTS3 regional units (cf. Boldrin and Canova 2001: 2012) / NUTS= Nomenclature of Territorial Units for Statistics

⁵⁹ The 'Fund Committee' was established for this purpose. It was composed of representatives of the member states and chaired by a representative from the Commission, though the chairman

In 1977 the Commission submitted proposals for reform in response to increasing criticism of the ERDF, which was often seen simply as top-up funding for national budgets that did not contribute directly to the goal of reducing subregional economic disparities or help to alleviate regional disparities (Holtzmann 1997: 105). In fact, in this initial phase of the ERDF, the fund appeared to be more a means by which the EEC could participate in the respective national regional policies of the individual member states rather than having much communitarian effect in its own right.

In 1979, the Council decided on a first set of revisions to the working of the ERDF. One important change was granting the Commission the right to operate in regions that were not already being supported by member states. Hence, in 1979, the Commission was able to allocate a small 'non-quota section' which was funded according to programs rather than individual projects (Hooghe and Keating 1994: 373). This involved reserving 5% of the total financial volume of regional expenditure was for the 'Program to overcome particular regional problems that were caused by the policy of the Community'.⁶⁰ ⁶¹ This became known as 'Specific Community Regional Development Measures' and these programs were decided with mutual agreement from both the Commission and the member states (Council 1979 No 214/79 Art. 2 (B); Title III; Art. 13 (1), (2); Giolitti 1983: 11; Miosga 1999: 34; Holtzmann 1997: 105-106).⁶² But the regions themselves (which were supposed to benefit from these changes) were still not part of the decision-making process (Holtzmann 1997: 105). The decision-making procedure for those Specific Community Regional Development Measures is officially described in the Council regulation of 1979 as follows:

“[...] the Council, acting unanimously on a proposal from the Commission and after consulting the European Parliament, shall determine for each of these measures to be implemented [...] in the form of a special program [...]” (Council 1979 No 214/79, Art. 13 (3)).

was not entitled to vote (Council 1975 No 724/75 Art. 11).

⁶⁰ Original title: 'Programm zur Überwindung bestimmter regionaler, durch die Politik der Gemeinschaft ausgelöster Probleme'.

⁶¹ For example, the problems caused by the enlargements and the structural change within the Community. Support was meant for regions that needed a better supply of energy and which were located in the border area between Ireland and Northern Ireland (Holtzmann 1997: 106).

⁶² In German it is called *spezifische Gemeinschaftsmaßnahmen* or *Gemeinschaftsausgaben*.

In addition, within the changes made in 1979, selection based purely on economic factors and production-orientated infrastructure – as had been provided for in the 1975 system (cf. Council 1975 No 724/75) – was ended and other potential methods for developing and creating a more propitious environment for small and medium-sized companies were included (Holtzmann 1997: 106). The scope of the newly established ‘Specific Community Regional Development Measures’ was defined clearly by Art. 13 of the Council regulation 1979:

“The fund may participate in financing Specific Community Regional Development Measures [...] these shall be measures:

- [...] in order to take a better account of their regional dimension or to reduce their regional consequences,
- [...] intended to meet the structural consequences of particularly serious occurrences in certain regions or areas with a view to replacing jobs lost and creating the necessary infrastructures for this purpose.

These measures shall not have as their object the internal reorganization of declining sectors but may, by establishing new economic activities, promote the creation of alternative employment in regions or areas in a difficult situation” (Council 1979 No 214/79 Art. 13 (1)).

So for the first time, financing was organized through a number of annual programs rather than through single projects, and it included support for non-material investment such as funding consultation infrastructure for small and medium-sized enterprises (Miosga 1999: 34).⁶³

The reforms also included the principle of additionality in financial support. During preparations for the amended regulations of 1979, the Commission had wanted to include the ‘additionality principle’ in the text of the regulation, but the Council decided just to mention it in the preamble of the regulation, as follows (Holtzmann 1997: 106):

⁶³ Since the year 1980 seven of those Specific Community Regional Development Measures were established (cf. Miosga 1999: 34).

“whereas the procedures for making apparent the complementary character of the assistance provided from the fund should be specified, and whereas the Commission should, for this purpose, be given the information necessary for it to ascertain that this complementary character is ensured” (Council 1979 No 214/79, preamble).

An initial attempt at controlling of the efficiency of the spending was also made in the new regulations of 1979. However, checks on the efficiency of ERDF spending at that time and the instruments used remained rather limited. The Commission was charged with compiling a socio-economic report every two years on the situation in the regions and making suggestions for future goals and subsidy priorities (Giolitti 1983: 11-12; Holtzmann 1997: 107; Council 1979 No 214/79 (1); (2)).⁶⁴

Finally, the new regulations also redistributed the resources of the fund and stated that financial aid from the fund would be distributed as follows: Belgium 1.39%; Denmark 1.20%; Germany: 6.00%; France: 16.86%; Ireland: 6.46%; Italy: 39.39%; Luxembourg: 0.09%; the Netherlands: 1.58%; and the UK: 27.03% (Council 1979 No 214/79 Art. 2 (a)).

On 19 June 1984, the Council passed a further reform of the ERDF. Under these changes, the previously fixed spending quotas for each member state were replaced by ranges, which were set for three years.⁶⁵ Within the new regulations, this was explained as follows:

- “3. The ERDF’s resources shall be used on the basis of ranges of which the lower and upper limits are shown below. [...]
4. These upper and lower limits shall apply for periods of three years.

⁶⁴ Changing requirements on control and reporting of the ERDF will be discussed intensively in subsection 5.1.1.

⁶⁵ Initially, the budget was distinguished through quotas fixed by the Commission. This method was often criticized and change was introduced step by step. Later on, in the years 1985-1987 the system of quotas was replaced by a system of *Beteiligungsspannen* with fixed upper and lower limits, with the aim of achieving a better adjustment to the particular regional problems (Marx 1992: 70f in Spudulyte 2003: 77).

For each member state, the lower limit of the range constitutes the minimum amount of ERDF resources it is guaranteed if it submits, during the corresponding period, an adequate volume of applications for aid which satisfy the conditions set out in this regulation” (Council 1984 No 1787/84 Art.4 (3),(4)).

Thus a minimum budget was guaranteed as well as a fixed maximum for each member state. While under the previous system, the European Commission had had little leeway due the fixed quotas for each state and because the Specific Community Regional Development Measures were decided by the Commission together with the member states, under this new system, the Commission was able to decide for itself how funding was to be spent (Holtzmann 1997: 107).

Another innovation was that four different measures could be financed within the ERDF, which were defined by Art. 5 of the 1984-regulation as follows: Community Programs, National Programs of Community Interest, projects and studies (Council 1984 No 1787/84, Art. 5).

Compared to the programs that the ERDF could support, there were two differences: the *Community Programs* and the *National Programs of Community Interest*. The *Community Programs* were a collection of several annual measures which were not restricted to one particular state. The Council would decide on these programs after they had been jointly elaborated by the Commission and the member states. In addition to this, there were also *Community Programs* with specific aims.⁶⁶ The *National Programs of Community Interest* were collections of multi-annual measures that focused on the goals and aims of particular states, the fulfillment of which would also fulfill community goals. For these programs, national participation was required. National participation was also required for the support of single projects within the ERDF, while for *Community Programs*, national participation was not necessary. The fourth measure in which the ERDF could participate and the financial support from this fund could be used, were studies, in which the ERDF could usually have a financial share of 50% and, exceptionally, of 70% (Council 1984 No 1787/84 Art. 24).

⁶⁶ These *Community Programs* with specific aims were e.g. the STAR-program (for enhancing the access to telecommunication services), RESIDER (support of the structural change within iron- and steel-areas) and RENAVAL (support of structural change in areas of shipbuilding) (Holtzmann 1997: 108). Within the framework of Communitarian Initiatives the ERDF participated on the financing of INTERREG and URBAN (INTERREG since 1989) (Spudulyte 2003: 77).

Alongside the projects and programs, there were also measures “for the purposes of the greater exploitation of the potential for internally generated development of regions”, in which the ERDF “may contribute to the financing of consistent sets of measures assisting business, primarily small and medium-sized companies in industry, craft industries and tourism [...]” (Council 1984 No 1787/84 Art. 15; Holtzmann 1997: 109).

Some critics have stated that it seemed as if the ERDF was increasingly becoming a mechanism for interstate compensation for the countries of Mediterranean Europe and Ireland. According to Hooghe and Keating (1994: 371), the wealthier states (mainly Germany and France) were willing to pay these costs as the price of continued progress towards integration. However, strictly interstate compensation would not have been consistent with communitarian ideas. For this reason, a policy instrument had to be created and that could be presented as having Community-wide benefits and resources had to be spread in such a manner that each member state received something. Creating a common regional policy had the advantage that the European Commission could be given a role and that it would encourage the involvement of subnational interests in Community policy (Hooghe and Keating 1994: 371).

5.1.1 Stricter regulations on controlling and reporting within the ERDF

In the first ERDF system introduced in 1975 and the reforms of 1979 and 1980, it is interesting to note that the regulations and procedures on controlling and reporting within the ERDF system were not enhanced that much overall, but they were more specified in greater detail for the period after 1985, when the Council regulation 1984 came into force (cf. Council 1975 No 724/75; Council 1979 No 214/79; Council 1980 No 3325/80; Council 1984 No 1787/84).⁶⁷

Council regulation No 724/75 is a fairly short document consisting of 19 articles, in comparison with its ‘follow-up’ from the year 1984 which consisted of 49 articles. The first regulation in the ERDF of 1975 includes the basic idea, aims and goals of the fund

⁶⁷ The Council regulation No 1787/84 came into force on January 1st 1985 (Council 1984 No 1787/84: 15).

as well as the principles by which the funds was to be organized and distributed. As part of these first regulations, it was made clear that it was mainly the European Commission that was responsible for managing the fund and that the Commission would be assisted by a 'Fund Committee' (see section 5.1, footnote 58) (Council 1975 No 724/75, preamble). In respect to reporting on the results of the fund, these first regulations stated very generally that:

“[...] the results obtained in each region from year to year should be monitored” (Council 1975 No 724/75, preamble).

Furthermore, the Commission was responsible for conducting the proper administration and effective control over the operation of the fund, in cooperation with the member states:

“[...] the Commission should ensure, with the cooperation of the member states, the proper administration of investments receiving aid from the Fund and exercise effective control of the operation of the Fund” (Council 1975 No 724/75, preamble).

In turn, the Commission was responsible for reporting annually on the funds to the European Parliament and to the Council, in accordance with this first regulation. Its reports were to include the financial administration of the funds during the preceding year and the conclusions that were drawn by the Commission from the supervision of the operation of the funds:

- “1. Before 1 July each year the Commission shall present a report to the European Parliament and to the Council on the implementation of this regulation during the preceding year.
2. This report shall also cover the financial management of the fund and the conclusions drawn by the Commission from supervision of the Fund's operations” (Council 1975 No 724/75 Art. 16 (1); (2)).

In the amendment of 1979, the requirements were altered slightly, but they were basically identical:

“1. Before 1 October each year the Commission shall present a report to the Council, the European Parliament and the Economic and Social Committee on the implementation of this regulation during the preceding year.

2. This report shall also cover the financial management of the fund and the conclusions drawn by the Commission from the checks made on the fund's operations" (Council 1979 No 214/79 Art. 21, (1) and (2)).

In the requirements for monitoring and controlling included in the first set of regulations for the ERDF, member states are required to make all the information that was needed for the effective operation of the fund available to the Commission. In addition to this, the member states also had to “[...] take all the steps to facilitate such supervision as the Commission may consider useful in managing the fund” (Council 1975 No 724/75 Art. 9(2)). The Commission had planned to carry out ‘on-the-spot checks’, which in practice would be done not by the Commission itself, but by the “competent authorities of that member state” and be conducted “[...] at the request of the Commission and with the agreement of the member state”. Representatives of the Commission were able to participate in those ‘on-the-spot checks’ (Council 1975 No 724/75, Art. 9 (3)) and they had several aims, including checking adherence to community rules on administrative practices, verifying the existence of supporting documentary evidence and whether this was in line with the operations financed by the fund, verifying under which conditions the operations financed by the fund were being carried out and whether the projects being implemented complied with the operations financed by the fund (Council 1975 No 724/75 Art. 9 (4)).

Under the revisions made in the regulations in 1979, the reporting requirements imposed on the member states were enhanced and made more specific. Every year, member states were obliged to report to the Commission on the regional development programs. They were now required to include three main points in the reports – namely, the nature of the financial resources allocated to regional development within the programs, the regional development measures that had priority, and how the member states intended to use community resources and in particular of the resources from the fund (Council 1979 No 214/79, Art. 6 (5)). This reporting was also described under Article 6 of the first set of regulations, but those requirements had been less detailed. Those former annual

reports only had to include a description of the general economic and social situation of the regions, a plan of the resources being invested and which should be invested in those regions, the planned measures (including a timetable) with respect to infrastructure and the creation of economic activity and also any 'aid ceiling' (Council 1975 No 724/75 Art. 6).

Article 6 of the 1975 regulations had also included a section on another annual report that was to be submitted – a statistical summary “indicating by region the results achieved during the previous year as a result of action taken in each region” (Council 1975 No 724/75: Art. 6). Under the revisions of 1979, this report was allocated an extra subchapter (Art. 6 (6)) and the requirements for this particular report were enhanced by the addition of “financial means employed” and “the actual use made of the resources of the fund” (Council 1979 No 214/79 Art. 6 (6)).

Under the 1984 ERDF regulations, some changes were made in the overall 'system of funding' (see also section 5.1). The 1984 regulations focused on issues of control, monitoring and reporting within the ERDF. The fact that reporting on and monitoring the programs had become increasingly important for the member states, the Commission, and the other European institutions can be seen in the fact that in the 1984 regulations several articles were devoted to reporting, and a separate title was inserted (Title IV on commitments, payments and checks) that was partly dedicated to guidelines on how all levels of governance should work together in the programs. This Title was called 'monitoring operations' (Council 1984 No 1787/84: Title IV, chapter V).

As for the text of the regulations regarding reporting and communicating results, aims and targets of the ERDF, Article 2(2) stated that the Commission would be responsible for compiling a report on socio-economic changes in the regions of the Community. For these periodic reports, which were to be written every 2.5 years, the Commission was dependent on receiving appropriate information from the member states in order to analyze the regions. This report would be examined by the Council after consultations with the European Parliament and the Economic and Social Committee (Council 1984 No 1787/84 Art. 2 (2)). An obligation on member states to provide the Commission with detailed information about developments in the regions was nothing new and had existed under the 1975 regulations and the 1979 regulations; however, those requirements had not been as detailed and specific as the ones in 1984 regulations

(Council 1975 No 714/75 Art 6(6); Council 1979 No 214/79 Art. 6(6); Council 1984 No 1787/84 Art. 2). A new requirement under the 1984 regulations was what the Commission should do with the data provided by member states – namely, compile a periodic report and “on the basis of this report, the Commission shall, if necessary, submit proposals for Community regional policy guidelines and priorities” (Council 1984 No 1787/84 Art. 2 (2)).

As mentioned earlier, under the 1984 regulations, a separate Title IV was devoted completely to the commitments, payments and checks in the programs, and these were new requirements compared to the previous regulations. With regard to the ‘checks’ on the program, the 1984 regulations state in Title IV, chapter V “Monitoring Operations” that the member states have the duty to provide the Commission with all the information which is “necessary to ensure the effective operation of the ERDF and shall take all steps to facilitate such monitoring as the Commission may deem useful for ERDF management purposes, including on-the-spot checks”, which is exactly the same formulation as in the regulation of 1975 (Council 1984 No 1787/84 Art. 32 (2); Council 1975 No 724/75 Art. 9 (2)). The rules for the ‘on-the-spot checks’ also remained broadly the same, but the following was added: “The Commission shall determine the time limits for the performance of the checks and shall inform the Member State concerned thereof in advance in order to obtain all the assistance necessary” (Council 1984 No 1787/84 Art. 32 (3)). The goals of the ‘on-the-spot checks’ remained broadly the same as under the 1975 regulations, but one additional check was added – the verification of the socio-economic effects of the operations financed by the ERDF (Council 1984 No 1787/84 Art. 32 (4)).

The 1984 regulations were a development of the 1975 regulations, but some rules and regulations were added in several areas. The regulations on controls, checks and monitoring were basically the same, but some additional requirements were added for the ERDF which came into effect on 1 January 1985. All in all, in 1984 regulations there were some additions on certain hypothetical scenarios, such as ‘if an operation has not been the object of any payment for four years...’ or ‘if sums which have been paid in error...’ (Council 1984 1787/84 Art. 32 (4)). These hypothetical scenarios could only be described when some first-hand experience of managing of the programs or the funds in general had been gained, as was the case by 1984.

5.2 European Regional Policy and the Single European Act

When it came to thinking on European integration and regional policy, there was general consensus within the Commission's Directorate General for Regional Policy in the 1970s and 1980s "that regional disparities were increasing within the European Community as part of the process of market integration", especially for those regions or member states that had started out from a lower base (Leonardi 2006: 157).

In Luxembourg on 17 February 1986, the by now 12 member states of the European Communities signed the Single European Act (SEA), which came into force on 1 July 1987 (cf. Schindler 2005: 41). This Treaty was the first far-reaching revision of the Treaties of Rome and according to Nugent the SEA was "something of a mixed bag" which contained "tidying up provisions, provisions designed to give the Community a broader policy remit, and provisions altering aspects of Community decision making" (Nugent 2006: 49; cf. Holtzmann 1997: 90). Hence, the SEA specified several aims including the legal framework for European Political Cooperation (EPC) and the introduction of the decision-making procedure by Qualified Majority Voting (QMV).^{68 69} However, the main goal was the completion of the internal market by 31 December 1992 and the introduction of new policy areas at the community level (Schindler 2005: 41; Holtzmann 1997: 90).⁷⁰ In short, alongside the introduction of a common policy for environment and research and technological development, the regional policy conducted since 1975 was given a new legal basis in the SEA under the newly inserted section V 'economic and social cohesion' (SEA 1987 Art. 130a-130e, Art. 130f, Art. 130r: 9, 11; Schindler 2005: 41; Spudulyte 2003: 74). It could be that the introduction of a European regional policy or cohesion policy constituted in order to 'buy' the acceptance of less

⁶⁸ EPC was since then the official Community term for foreign policy cooperation (Nugent 2006: 81).

⁶⁹ QMV was a newly introduced legislative procedure (the cooperation procedure), which improved the efficiency of decision-making in the Council of Ministers and enhanced the powers of the EP slightly (Nugent 2006: 81; Holtzmann 1997: 90). Qualified majority voting: "the system of voting in the EU Council, which attributes a number of votes to each member state (very roughly related to their size). A majority of these votes (currently 71 per cent) is needed for legislation to be agreed in the Council, implying that some states will be outvoted, but will have to apply the legislation all the same (Cini 2007: 464)." QMV applied, for example, to the implementation of the European Regional Development Fund (cf. Bache and George 2006: 235).

⁷⁰ The *Single Market Program* was already proposed in 1985 in a Commission's White Paper on the Single Market and achieved treaty status with the signing of the SEA. Alongside this there was the *Single Currency Program* which was part of the *Single Market Program* and got a treaty basis later on with signing the Maastricht Treaty (1992) (Leonardi 2006: 156).

developed member states or regions for the operationalization of the Single Market and European Monetary Union (EMU) (cf. Pollack 1995; Allen 2000 in Leonardi 2006: 157).

With the signing of the SEA in 1986 and its entry into force in 1987, the term 'cohesion policy' came into use. The SEA reaffirmed the provision of Treaties of Rome (the EEC Treaty) by stating that: "In particular the Community shall aim at reducing disparities between various regions and the backwardness of the least-favored regions" (SEA 1987 Art. 130a: 9).

As Leonardi (2006: 157) describes, the SEA included some "rosy expectations" when "it stated that the objective of Cohesion policy was to reduce the level of regional disparities existing in the Community." He continues that this statement was interpreted by many as an "overly optimistic dream rather than a real empirical prospect in the short- to medium term."

Hence, Leonardi (2006: 156) states that from the outset, the cohesion policy was conceived by the European Community policy-makers as a necessary complement to the *Single Market* and the *Single Currency Programs*. In this light, the signing of the SEA and later the Maastricht Treaty can be seen as a real new beginning of the European regional policy through which member states committed themselves explicitly to the objective of structural balancing (Spudulyte 2003: 74).

In short, the basis for a common structural policy, as we know it today, was created by the SEA and began with its implementation after the reform of 1988. Before 1988/89 the regional policy of the Community "was conceived as a relatively minor initiative whose primary purpose was to provide support for the regional development policies undertaken by the Member States" (Leonardi 2006: 156).

While the goal of the Treaties of Rome had been to decrease disparities among the member states by establishing one common market and through a step-by-step approach with the *national* economic policies, under the SEA this goal was to be conducted by the *Community*. Let us consider Article 130a (first sentence), which states:

“In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to strengthening of its economic and social cohesion” (SEA 1987 Art. 130a: 9).

Furthermore, looking at the terms of the SEA Treaty on economic and social cohesion and Structural Funds, in Article 130b (third sentence) we find the following:

“The Community shall support the achievement of these objectives by the action it takes through the structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section, European Social Fund, European Regional Development Fund), the European Investment Bank and other existing financial instruments” (SEA 1987 Art. 130b: 9).⁷¹

Additionally, the economic policies of the member states were to be conducted in such a way that the goals described in Article 130a would be achieved. “The implementation of the common policies and of the internal market” should be conducted according to the goals set out in Articles 130a and 130c of the Treaty and the support of the Community to achieve these objectives is to take place through the involvement of the Structural Funds (SEA 1987 Art. 130b)⁷².

Regional policy instruments were enhanced significantly compared to those created by the Treaty of Rome. For the first time, a legal basis was created for common, regional-political subsidies. The three Structural Funds mentioned in the citation above were granted a legal basis for working to reduce regional disparities and stimulate growth and employment in the regions. Alongside this, the financial instruments of the EIB and the ECSC were created to operate alongside the funds (Spudulyte 2003: 74; Holtzmann 1997: 93).

⁷¹ The ‘objectives’ to this sentence refers are set out in Article 130a and Article 130c, which states that “[...] the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions” and “The European Regional Development Fund is intended to help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging behind and in conversion of declining industrial regions” (SEA 1987 Art. 130a, Art. 130c: 9).

⁷² The Structural Funds mentioned in this article were: the European Agricultural Guidance and Guarantee Fund, Guidance Section, the European Social Fund, the European Regional Development Fund, as well as “the European Investment Bank and the other existing financial instruments” (SEA 1987 Art. 130b).

Article 130c of the Treaty mentions the ERDF separately and defines its goal as “to help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions” (SEA 1987 Art. 130c). Article 130d states that the Council would be required to decide unanimously on the tasks, aims and organization of the Structural Funds at the suggestion of the Commission, as mentioned. The Article states:

“Once the Single European Act enters into force the Commission shall submit a comprehensive proposal to the Council, the purpose of which will be to make such amendments to the structure and operational rules of the existing structural Funds (European Agricultural Guidance and Guarantee Fund, Guidance Section; European Social Fund; European Regional Development Fund) as are necessary to clarify and rationalize their tasks in order to contribute to the achievement of the objectives set out in Article 130a and Article 130c, to increase their efficiency and to coordinate their activities between themselves and with the operations of the existing financial instruments. The Council shall act unanimously on this proposal within a period of one year, after consulting the European Parliament and the Economic and Social Committee” (SEA 1987 Art. 130d).

In sum, the Article 22 of the SEA, it is also made clear that after ratifying the SEA, the Commission was to submit a proposal to the Council for comprehensive amendments to the structure and the operational rules of the Structural Funds. This was necessary “to clarify and rationalize” the task of the Structural Funds “in order to contribute to the achievement of the objectives set out in Article 130a and Article 130c, to increase their efficiency and to coordinate their activities between themselves and with the operations of the existing financial instruments” (SEA 1987 Art. 22 supplement for EEC-Treaty Art. 130d). Hence, to coordinate the enlarged regional- political instruments, Article 130d of the SEA made provision that the Council, acting on the proposals of the Commission, was to allocate tasks, set objectives and organize the Structural Funds, in addition to determining general rules and regulations to ensure efficiency and coordination among the authorities and financial instruments involved (Holtzmann 1997: 94).

One further point is can be mentioned: the European Social Fund (ESF) – which had been made part of social policy in 1957 – is mentioned in the SEA explicitly in the context of regional policy. What was more, part of the Agricultural Fund was also set aside for regional aims (Holtzmann 1997: 93).

5.3 Development of a European regional policy after the SEA

By the end of the 1980s, regions already existed as political institutions in a number of member states and had been granted constitutional powers to involve themselves in implementing the European cohesion policy in areas such as regional planning, development, vocational education and transport. Regions began to mobilize and lobby for funding in Brussels by establishing their own representations in Brussels, for example.⁷³ As well as seeking to influence policy-making at the supranational level, they also forced national governments to acknowledge the role of the regions in EU policy-making (cf. Leonardi 2006: 159-160). What was new at the end of the 1980s – when structural cohesion funding was established – was that the policy changed from a policy ‘for the regions’ towards a policy ‘by the regions’, meaning that the regions as administrative and political institutions became both the decision-makers and the actors responsible for implementation. The national level was no longer seen as the only level where development policies could take place (Leonardi 2005: 5-6; Paraskevopoulos 2001 in Leonardi 2006: 160).⁷⁴ Referring back to the theoretical model of this dissertation (chapter 3), we can see, that the second shift, which we have called the ‘renationalization shift’, began during the 1980s by giving not only the member states but

⁷³ One of the interviewees explained the tasks of the representation of the *Bundesland* North Rhine-Westphalia in Brussels as follows: “The task of the representation is to recognize very early developments and political blueprints of the European Commission. As soon as something written is available the representation has to send it to its ministries in Düsseldorf. Normally, we are one of the first who get those information and we make the first evaluation and are in this way participating in the development-phase of European law” (interview 32 2012). Original quotation: “Die Aufgabe der Landesvertretung ist, zu einem sehr frühen Zeitpunkt Entwicklungen, Politikentwürfe der Europäischen Kommission in Erfahrung zu bringen. Sobald etwas schriftliches vorliegt muss dies von uns weitergeleitet werden an die Ministerien in Düsseldorf. Wir sind in der Regel einer der ersten, die dies zur Verfügung haben und die erste Bewertung machen und von daher sind wir in der Entstehungsphase der europäischen Rechtsetzung beteiligt“ (interview 32 2012).

⁷⁴ Regarding the theoretical model of this dissertation in chapter 3 and 7, this development is part of the so called ‘second shift’, described in the *illustrations* 3 and 8.

also the regions (depending on the constitution of the state involved) responsibility for implementing the policies.

The SEA, on the one hand, sought to open national borders between the member states to the free flow of goods, people, capital and services:

“The internal market shall comprise an area without internal frontiers in which the free movement of goods, persons, services and capital is ensured in accordance with the provisions of this Treaty” (SEA 1987 Section II Art. 13 supplementing Art. 8a of the EEC-Treaty).

Thus, the SEA “stressed the Importance of the large frontier-free market in 1992, the strengthening of economic and social cohesion, faster progress in research and technology, the development of social and environmental policy and monetary integration” (CEC 1990: 11).

Regional institutions were also allowed to interact with counterparts in other states, in order to improve the overall economic and social situation of the Community (SEA 1987 preamble: 2). This principle was broadly based on the European Outline Convention (EOC) of 1980 and was the legal basis for the ‘Treaty of Anholt’, for example, which related to the Dutch-German border and was signed in 1991 (see section 6.2).

New rules and regulations were planned for the Structural Funds designed to ensure efficiency and coordinate the activities of the funds with each other and with other financial instruments. In 1988 the Commission and the Council followed this aim and five regulations were decided (Holtzmann 1997: 109):

- Council Regulation (EEC) No 2052/88 of 24 June 1988 on the tasks of the Structural Funds and their effectiveness and on coordination of their activities between themselves and with the operations of the European Investment Bank and the other existing financial instruments;

- COUNCIL REGULATION (EEC) No 4254/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Regional Development Fund;

- COUNCIL REGULATION (EEC) No 4253/88 of 19 December 1988 laying down provisions for Regulation (EEC) No 2052/88 as regards coordination of the activities of the different Structural Funds between themselves and with the operations of the European Investment Bank and the other existing financial instruments;

- COUNCIL REGULATION (EEC) No 4255/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Social Fund;

- COUNCIL REGULATION (EEC) No 4256/88 of 19 December 1988 laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the EAGGF Guidance Section.

The new regulations of 1988 concerning the Structural Funds and the ERDF were actually a general reform. As a consequence of the agreements set out in the SEA, in 1988 the Structural Funds were given the additional objective of ensuring cohesion. To that end the budget for the Structural Funds was doubled between 1987 and 1993 (cf. EEC 1988 No 4253/88, preamble).

In 1988, a general reform of the ERDF took place. A number of principles were introduced which remain the basic principles for the implementation of the European cohesion policy today (see section 5.3 and chapter 6). The size of the Structural Funds in financial terms was doubled incrementally between 1987 und 1993 (cf. Holtzmann 1997: 111).⁷⁵

⁷⁵ By way of comparison, in the mid-1980s the ERDF accounted for only 7.5% of the Community budget while in the 2007-2013 period the Structural and Cohesion Funds comprised around 36% of EU spending (Michie and Fitzgerald 1997 in Bachtler and Wren 2006: 143).

The regulations governing the Structural Funds, their effectiveness and their coordination with the activities of the EIB and other existing financial instruments (Council 1988 No 2052/88) had been decided and came into force in accordance with Article 130d (SEA 1987) – see section 5.2 for an explanation of Article 130d – in order to provide a comprehensive proposal, “the purpose of which will be to make such amendments to the structure and operational rules” of the existing European Structural Funds which “are necessary to clarify and rationalize their task” (Council 1988 No 2052/88, preamble).⁷⁶ Additionally, regulation No 4254/88 was published, “laying down provisions for implementing Regulation (EEC) No 2052/88 as regards the European Regional Development Fund”. The aim of this regulation is explained in its preamble and can be summed up by saying that the common framework regulation – regulation EEC 1988 No 2052/88 – had to be backed up with specific provisions, which refer to the ERDF (Council 1988 No 4254/88, preamble). The third regulation in this context, “laying down provisions for implementing Regulation (EEC) No 2052/88”, gives general rules for the implementation of all the Structural Funds (Council 1988 No 4253/88).

Within the regulatory framework, the focus is not so much on a detailed explanation of the monitoring and control system (cf. Council 1988 2052/88). This was done through separate regulations for implementing the Structural Funds (cf. Council 1988 No 4253/88).⁷⁷

The EEC 1988 No 4254/88-regulation established the ERDF with its specific forms of participation. It was, for example, possible to support private investment in order to create or save of jobs, for investment in public infrastructure, for actions related to “the development of indigenous potential in the regions”, for projects in border regions, for regional situation analyses and regional environment investment (Council 1988 No 4254/88 Art. 1; Council 1988 No 2052/88 Art. 3). As far as cross-border cooperation was concerned, Article 10 of the ERDF regulations of 1988 was very important. It allowed for a financing of:

⁷⁶ As explained in section 5.2 the existing Structural Funds were the European Agricultural Guidance and Guarantee Fund, Guidance Section (EAGGF), the European Social Fund (ESF) and the ERDF, while the ERDF was the main instrument “for achieving the objective of ensuring the development and structural adjustments of regions whose development is lagging behind” and whereas the ERDF “plays a central role in the conversion of regions, frontier regions and parts of regions [...] seriously affected by industrial decline” (EEC 1988 No 2052/88, preamble).

⁷⁷ The fourth and fifth mentioned regulation on the ESF and EAGFL, see above, will not be elaborated in this section or in this dissertation.

“the spatial consequences of measures planned by the national authorities, particularly major infrastructures, when their effects go beyond national boundaries”

and

“measures aiming to correct specific problems of the border regions within and outside the Community” (Council 1988 No 4254/88 Art. 10 (1)a).

Additionally, Article 10 of the ERDF regulations from 1988 was also important for the border regions, because it provided for pilot schemes that particular border regions inside and outside the Community could participate in (Council 1988 4254/88 Art. 10 (1)b; cf. interview 11 2009; cf. interview 2 2009). The Dutch-German border regions participated in this scheme in the years 1989-90 (see sections 6.2 and 6.3).

Generally, the aim of the 1988 reforms was to retain the autonomous character of the structural funds and increase the coherence as regards the objectives of Article 130a of the SEA (cf. SEA 1987 Art. 130a: 9). The innovations of the common regional policy – as can be seen in the ERDF regulations, but also within the other regulations of 1988 – were based on four basic principles of the funds that were already mentioned in section 5.2 of this dissertation:

1. Partnership between the Commission and the member states
2. Programming
3. Concentration
4. Additionality

(cf. Holtzmann 1997: 110).⁷⁸

The introduction of these four central principles into the system of implementing European Structural Funds was an important step in the development of the ‘renationalization shift’, because national, regional and subregional authorities have since then taken care that those principles have been applied properly.

⁷⁸ All four principles will be explained in general for the Structural Funds and for the ERDF within the following (see section 5.3.1) and also into detail for this case study of Dutch-German cross-border cooperation (see chapter 6).

5.3.1 Structural Funds after the 1988 reforms

The 1988 reforms meant significant changes to the overall system. First of all the 'principle of programming', which was (and still is) based on strategic, multi-annual plans rather than the former project-based approach was introduced and it was stated that "the main emphasis should be on assistance in the form of multi-annual programs" (Council 1988 No 2052/88, preamble).⁷⁹ According to Barca (2009: 15), the change from annual to multi-annual budgeting increasingly reflected "the idea that economic and social development was not so much to do with building infrastructure and giving out subsidies to firms but more to do with encouraging the provision of extensive bundles of integrated services". In the case of the ERDF, funding before the advent of the 'programming principle' had been distributed as cofinancing for regional development projects in assisted areas determined exclusively by national governments and largely subsumed within national regional policy budgets. Together with the reform of the Structural Funds of 1988, funding activities began to increase in scope, scale and rigor (cf. Bachtler and Michie 1995: 745-746).

The 'concentration principle' – meaning concentrating on a limited number of objectives and focusing on the least developed regions – was also introduced. The principle of concentrating actions on five main objectives was a consequence of the increasing importance of bringing about economic and social cohesion in the Community which was clearly formulated in the SEA (cf. Holtzmann 1997: 111).

The 'partnership principle' meant that the participation of national, sub-regional and supranational actors was expected in the "preparation, financing, monitoring and assessment of operations" (Council 1988 No 2052/88 Art.4 (1); Council 1988 No 4253/88 Art. 9; Bachtler and Méndez 2007: 537). This 'partnership principle' is described in the Council regulation 1988 No 2052/88 as "close consultations [...] between the Commission, the Member State concerned and the competent authorities designated by the latter at national, regional, local or other level". Cooperation between several levels

⁷⁹ For the overall promoting of actions within the Structural Funds there were some more possibilities of funding after the reform of 1988 of which the part-funding of Operational Programs was one. The other funding possibilities were called "part-financing of a national aid scheme including payments", "provision of global grants" and "part-financing of suitable projects including repayments" (Council 1988 No 2052/88 Art.5).

of government is repeated in the same set-up through the implementation of the general regulations on the Structural Funds, where it says that “it is necessary to establish procedures for ensuring close association between the Commission and the Member States as well as, where appropriate, national, regional and subregional authorities designated by them” (Council 1988 No 2052/88, preamble). The principle of ‘partnership’ is developed in more detail in Council regulation 1988 No 4253/88, the regulation that states that the Commission should be able to adapt – in agreement with the member state concerned – Community Support Frameworks “to take account of measures not provided for in the plans submitted by the Member States, including measures resulting from new Community initiatives” (Council 1988 No 4253/88, preamble).⁸⁰ The ‘partnership principle’ is also applied in the cofinancing structure, whereby several levels of governance can and are required to support programs and projects, which the European Commission normally supports up to a maximum of 75% (for objective 1) and 50% (for all other objectives) of the total amount (detailed elaboration on European objectives can be found in section 5.3.2). Operational programs should be supported by cofinancing rather than projects (cf. Council 1988 No 4253/88, preamble; Council 1988 No 2052/88 Art. 13).⁸¹

The ‘partnership principle’ is based on two principles, *complementarity* and *subsidiarity*, which are summed up here under the principle of “additionality”. *Complementarity* means that common financial resources only exist to complement national efforts and not as a replacement for them. This is described officially in the framework regulation on Structural Funds in 1988:

“Community action is intended to be complementary to action by the Member States or to back up national measures” (Council 1988 No 2052/88, preamble).

and

⁸⁰ As can be seen within this Council regulation 1988 No 4253/88 the Community Initiatives, where INTERREG for cross-border cooperation was part of since 1990 came increasingly into play.

⁸¹ Operational Programs (OP) had and still have to be set up for every program period of funding. A program has to be conducted by dint of projects. Through setting up OPs it is possible to account in which way European money is planned to be spent. Targets, priorities and actions should be written down in those documents, as well as the organizations structure of distribution and ways of project approval. In short, within those documents the goal of the funding is stated and how could it be achieved.

“Community operations shall be such as to complement or contribute to corresponding national operations” (Council 1988 No 2052/88 Art. 4).

The principle of ‘subsidiarity’ means that competences must be delegated to and tasks performed at the lowest appropriate level (cf. Holtzmann 1997: 111). In short, the principle of ‘additionality’, means that EU funding was not (and still is not) a substitute for national expenditure and with that “EU resources should add to rather than replace national resources” (Nugent 2006: 371).

All these principles, but particularly the principles of ‘partnership’ and ‘programming’, are only implemented when activities are controlled and monitored and so the framework regulations on the implementation of the Structural Funds stated in its preamble that it was necessary “to establish effective methods of monitoring, assessing and carrying out checks in respect of Community structural operations, based on objective criteria, and to ensure that those methods are adapted to the tasks of the different Funds” (Council 1988 No 2052/88, preamble). In Council regulation 1988 No 4253/88 regarding the implementing conditions of the Structural Funds according to the regulation 1988 No 2052/88, it says in this respect that “[...] it is necessary to specify the arrangements for the monitoring and assessment of Community structural action in order to strengthen the effectiveness of assistance methods in achieving the objectives and to assess the impact of assistance” (Council 1988 No 4253/88, preamble). In Article 23 of the same regulations, financial control procedures are explained in greater detail and it is stated that member states are to take regular action to ascertain that intervention financed by the Commission has taken place in accordance with the rules and that representatives from the Commission are allowed to perform random ‘on-the-spot checks’ (Council 1988 No 4253/88 Art. 23 (1), (2)). These ‘on-the-spot checks’ were not a new feature, but as explained in section 5.1.1, had already been introduced at the launch of the ERDF (cf. Council 1975 No 724/75 Art. 9 (3)). In respect to monitoring and partnership, Article 25 states that the Commission together with the member state concerned should ensure that the implementation of the assistance from the funds is monitored correctly. The way in which such monitoring should be conducted is also specified as jointly agreed reporting procedures, random checks and the establishment of Monitoring Committees

(Council No 4253/88 Art. 25).⁸² The Commission itself was responsible for communicating with its Committees about the implementation of the funds annually and for sending a summary of its report to the European Parliament for information (Council 1988 No 4253/88 Art. 25 (1)). To monitor the interventions, physical as well as financial indicators would be used. These indicators were not generally fixed but related to the specific character of the operation, the objectives and the type of assistance that was provided as well as the socio-economic and structural situation of the relevant country (Council 1988 No 4253/88 Art 25 (2)). After the end of assistance through a Structural Fund, an end report was to be submitted by an authority appointed by the relevant member state (Council 1988 No 4253/88 Art. 25 (4)). The assessment of the actions supported by the Structural Funds should also be carried out according to the 'partnership principle', whereby the competent authorities in the member states could contribute "in such a way as to ensure that assessment can be carried out in the most effective manner" (Council 1988 No 4253/88 Art. 26 (1)). The monitoring of the funds also includes ex-ante and ex-post evaluations in which basic conditions for the Structural Funds in general were laid down in Council regulation 1988 No 4253/88 Article 26 (2). This regulation states that these evaluations would relate to three levels: the overall impact of the objectives, in particular the strengthening of the economic and social cohesion of the Community; the impact of operations under each Community Support Framework; and the impact of individual operations (Council 1988 No 4253/88 Art. 26 (2)). The results of these assessments were to be communicated to the European Parliament and to the Economic and Social Committee, in accordance with regulation 1988 No 2052/88 Art. 16 (Council 1988 No 4253/88 Art. 26 (5)).

As can be seen from this outline, control and oversight are closely related to reporting and the allocation of funding in a multi-annual program structure and this meant introducing a comprehensive system of monitoring and evaluation and a Monitoring Committee for each Community Support Framework (CSF) and each Operational Program, on which representatives of national and regional authorities and the Commission would have a seat.^{83 84} Monitoring and evaluating the programs still takes

⁸² The role and task of Monitoring Committees in respect to this case study of Dutch-German cross-border cooperation will be elaborated in chapter 6..

⁸³ The definition of a (regional) operational program is formulated as follows: "An operational program [...] shall comprise a series of consistent multiannual measures which may be implemented through recourse to one or more Funds, to one or more of the other existing

place through the Monitoring Committees which constantly discuss and observe the progress of the particular program, as well as conducting evaluations, but additionally, the programs had, since the 1988 reforms, been required to submit annual reports to the European Commission on the implementation of the Structural Funds. The Commission in turn submitted periodical reports to Committees which were concerned with the separate objectives of funding (cf. Bachtler and Michie 1995: 745-746; Council 1988 No 2052/88 Art. 6 (1); Art. 17). Thus, the Commission was required to compile a periodic report every three years, about the social and economic situation in and the development of the regions of the Community. The member states were required to provide the Commission with the relevant information to enable it to make this analysis for all the regions of the Community “on the basis of statistics which are as comparable and as up to date as possible. The report must also make it possible to assess the regional impact of other Community policies” (Council 1988 No 4254/88, title II, Art. 8; cf. Council 1988 No 4253/88, Art. 6 (1)).

Overall, it can be seen that during the first period of funding, which lasted until 1993, the program authorities that administered the Structural Funds tended to prioritize the establishment of basic management systems and financial absorption. This was particularly evident within the regulations for the ERDF, in relation to which basic requirements concerning cofinancing, individual projects and evaluations were laid down (Council 1988 No 4254/88 Art. 4; Art.5; Art.7; Mairate 2006: 172). In the subsequent program periods, the scope for generating added value was increased by introducing new ideas and developing the systems of program management, project selection and monitoring (Mairate 2006: 172).

financial instruments, and to the EIB. [...] Operational programs shall be undertaken on the initiative of the Member States or of the Commission in agreement with the Member State concerned.” (Council 1988 No 2052/88 Art. 5 (5); Council 1988 No 4254/88 Art. 3). The first guidelines for operational programs “which Member States are invited to establish in the framework of a Community initiative concerning border areas (Interreg)” was set up conform the regulations Council 1988 No 4254/88 Art. 3 (2) and Council 1988 No 4253/88 Art. 11 (CEC 1990 Notice C(90) 1562/3 (2)).

⁸⁴ The Structural Funds Council Regulation No 1083/2006 states that a monitoring of Operational Programs is necessary to ensure the quality of the implementation of the programs. In order to do this, Monitoring Committees had to be set up and their responsibilities had to be defined, together with the information to be passed to the Commission and the framework for assessing that information (Council 2006 No 1083/2006 (65): 29).

5.3.2 Structural Funds over the successive program periods

During the first program period of 1989-1993, the division of the Structural Funds concentrated on six objectives and 12 Community Initiatives (CIs) (cf. CEC 1990: 12).⁸⁵ In the following program period of 1994-1999, the six objectives remained and there were 13 Community Initiatives. Objective 1 focuses on the development and adjustment of regions and aims “to promote the development and structural adjustment of the regions whose development is lagging behind” (Council 1988 No 2052/88 Art.1; cf. Council 1993 No 2081/93 Art. 8). Funding under objective 2 was allocated to regions that suffered from decreasing industrial development and it aimed to stimulate the economic revival of those regions affected by the industrial crisis. Border regions were also covered under objective 2 (Council 1988 No 2052/88 Art. 1; Art. 9 (2); Council 1993 No 2081/93 Art. 9 (1)). Objective 3 focuses on combating of long-term unemployment across the whole Community (Council 1988 No 2052/88 Art. 1; Art. 10). At the start of the Structural Funds, objective 3 targeted people who had been unemployed for over a year and were older than 25 years. In 1994-1999 period, the focus of objective 3 was widened to include the aim of facilitating the integration of young people into working life as well as the groups previously targeted due to their long-term exclusion from the labor market. Objective 4 was closely related to objective 3 (cf. Council 1988 No 2052/88 Art.10; Council 1993 No 2081/93 Art. 10), although objective 4’s goal of integrating young people (under the age of 25 years) into the labor market was originally formulated as “facilitating the occupational integration of young people” (Council 1988 No 2052/88 Art. 1). In the 1994-1999 funding period, objective 4 aimed to facilitate the adaptation of workers to industrial changes and changes in production systems (cf. Holtzmann 1997: 112- 113; cf. Boldrin and Canova 2001: 220). Objective 5 was split into objectives 5a and 5b and had to be considered in the context of the reform of the common agricultural policy (Council 1988 No 2052/88 Art. 1; Art. 11). Objective 5a aimed to accelerate the adjustment of production, processing and commercialization structures within farming and forestry sectors so that they could accommodate the reform of the European policy on agriculture and promote the modernization and structural adjustment of the fisheries

⁸⁵ CIs have enabled the EU to focus on particular European problems and opportunities concerning regional development, as well as to experiment with new approaches and campaigns to promote the development of network cooperation between regions that straddle national borders (Panteia et al. 2009: 9).

sector. Objective 5b promoted the development of rural areas (cf. Council 1993 No 2081/91 Art.2).^{86 87}

With the start of the 2000-2006 program period the number of objectives decrease to three “in order to increase the concentration” and “to simplify the operation of the Structural Funds” (Council 1999 No 1260/1999, preamble (4)). Three objectives were established, whereby the ERDF was to promote objectives 1 and 2 (Council 1999 No 1260/1999 Art. 2). In this funding period, the ERDF accounted for 49 per cent of the funding and the ESF for 30 per cent. Other funding was available from the EAGGF Guarantee, the EAGGF Guidance, the FIGG and the Cohesion Fund (Nugent 2006: 317).⁸⁸

The next phase of the Structural Funds (funding period 2007-2013) also included three objectives, but these were newly defined (cf. Council 1988 No 2052/88; Council 1991 2081/91; Council 1999 No 1260/99; Council 2006 No 1083/2006).

⁸⁶ Within the period of 1989-1993 the ERDF was just involved within the objective 1, 2 and 5b and with that with 80,1% of the total interventions. The main share of the ERDF-fund within this division was concentrated on objective 1, with 75,4% for the period 1989-1993 (Council 1988 No 2052/88 Art. 1, 2, 3; Holtzmann 1997: 113). In the period of 1994-1999 the ERDF was involved in objectives 1, 2 and 5b (cf. Council 1993 No 2081/93 Art. 2).

⁸⁷ There also existed an objective 6 targeted “regions corresponding to or belonging to regions at NUTS 2 level with a population density of eight inhabitants per km² or less” and this were regions of the northern parts of Finland and Sweden, with a population equal to 0.4% of the Community's total. The amount of funding was in 1994-1999 less than 1% of the total budget for the Structural Funds (Boldrin and Canova 2001: 223). The sixth objective existed from 1995-1999 and was laid down within the Protocol 6 to the Act of Accession of Austria, Finland and Sweden (cf. Council 1999 No 1260/1999 Art. 3 (1)). The ERDF was also part of objective six (1995-1999), but the budget was very low.

⁸⁸ Objective 1 in the period from 2000-2006 was covering regions on NUTS 2-level, which per capita BIP was less than 75% in the years 1996-1999 than the average of the Community and was promoting the development and structural adjustment of regions whose development was lagging behind. Regions under objective 1 were ‘outermost regions’, as well as the areas which were laid in objective 6 in the period from 1995-1999. (Council 1999 No 1260/1999 Art. 1; Art. 3 (1)). Regions under Objective 2 in the same period, where regions with structural problems (NUTS 3 or a territorial unit which fulfills several criteria summed up in Art. 5 (5); (6) (Council 1999 No 1260/1999) and objective 2 therefore supported “the economic and social conversion” (Council 1999 No 1260/1999 Art. 1). Regions were covered by this objective were “undergoing socio-economic change in the industrial and service sectors, declining rural areas, urban areas in difficulty and depressed areas dependent on fisheries” (Council 1999 No 1260/1999 Art. 4). Under objective 3, interventions were promoted which were not supported under objective 1. Objective 3 supported “the adaptation and modernization of policies and systems of education, training and employment” (Council 1999 No 1260/1999 Art. 1, Art. 5).

Another new feature was that the Structural Funds were reduced from six to three (see *illustration 6*),⁸⁹ with the ERDF, ESF and the Cohesion Fund remained. “The reduction in the number of financial instruments is part of an attempt to make cohesion policy simpler, more transparent and, above all, more focused” (Nugent 2006: 371). Objective 1 from the period of 2000-2006, which promoted regions which were lagging behind in development was now grouped together with intervention through the Cohesion Fund under the new objective 1 with the title ‘Convergence’. This objective 1 of ‘Convergence’ was supported by the ERDF, the ESF and the Cohesion Fund and had the goal of accelerating

“[...] the convergence of the least-developed Member States and regions by improving the conditions for growth and employment through the increasing and improvement of the quality of investment in physical and human capital, the development of innovation and of the knowledge society, adaptability to economic and social changes, the protection and improvement of the environment and administrative efficiency” (Council 2006 No 1083/2006 Art. 3 (a)).⁹⁰

The new objective 2 is concerned with stimulating regional competitiveness and employment and is supported by the ERDF and the ESF. Actually, the former objectives 2 and 3 were adapted for the new objective 2. The new objective 2 with the title ‘Regional competitiveness and employment’ is aimed

“[...] at strengthening regions’ competitiveness and attractiveness as well as employment by anticipating economic and social changes (Council 2006 No 1083/2006 Art. 3 (b)).

⁸⁹ In this context, the Community Initiatives Leader+ and EAGGF were replaced by the European Agricultural Fund for Rural Development (EAFRD). The FIFG became the European Fisheries Fund (EFF). The European Agricultural Fund for Rural Development (EAFRD) and the European Fisheries Fund (EFF) have their own legal basis in the period of 2007-2013 and are thus no longer involved in the cohesion policy (CEC 2007 (a): 11)

⁹⁰ The objective of ‘Convergence’ has an 82% share of the total Cohesion Funding. The objective of ‘Regional competitiveness and employment’ has a share of 16% of the total Cohesion Funding, while the objective of ‘European Territorial Cooperation’ accounts for around 2.5% of the Cohesion Funding (Nugent 2006: 372).

Under the new objective 3, the former Community Initiative of INTERREG III became a funding objective in its own right under the title of “European Territorial Cooperation” (ETC).⁹¹ The whole of objective 3 is financed through the ERDF (Council 2006 No 1083/2006 Art. 3, Art. 4). As such, the development of cross-border cooperation of the former INTERREG IIIA was no longer classed as a Community Initiative (see section 5.2.2). Broadly speaking, the emphasis on territorial cooperation was increased with this change in objectives and thus the awareness of the importance of territorial cooperation within Europe became more prominent (cf. interview 1 2012). The official formulation of the aims of new objective 3 on territorial cooperation is the following.

“the European territorial cooperation objective [...] shall be aimed at strengthening cross-border cooperation through joint local and regional initiatives, strengthening transnational cooperation by means of actions conducive to integrated territorial development [...] and strengthened interregional cooperation and exchanges of experience at the appropriate territorial level” (Council 2006 No 1083/2006 Art. 3(c)).

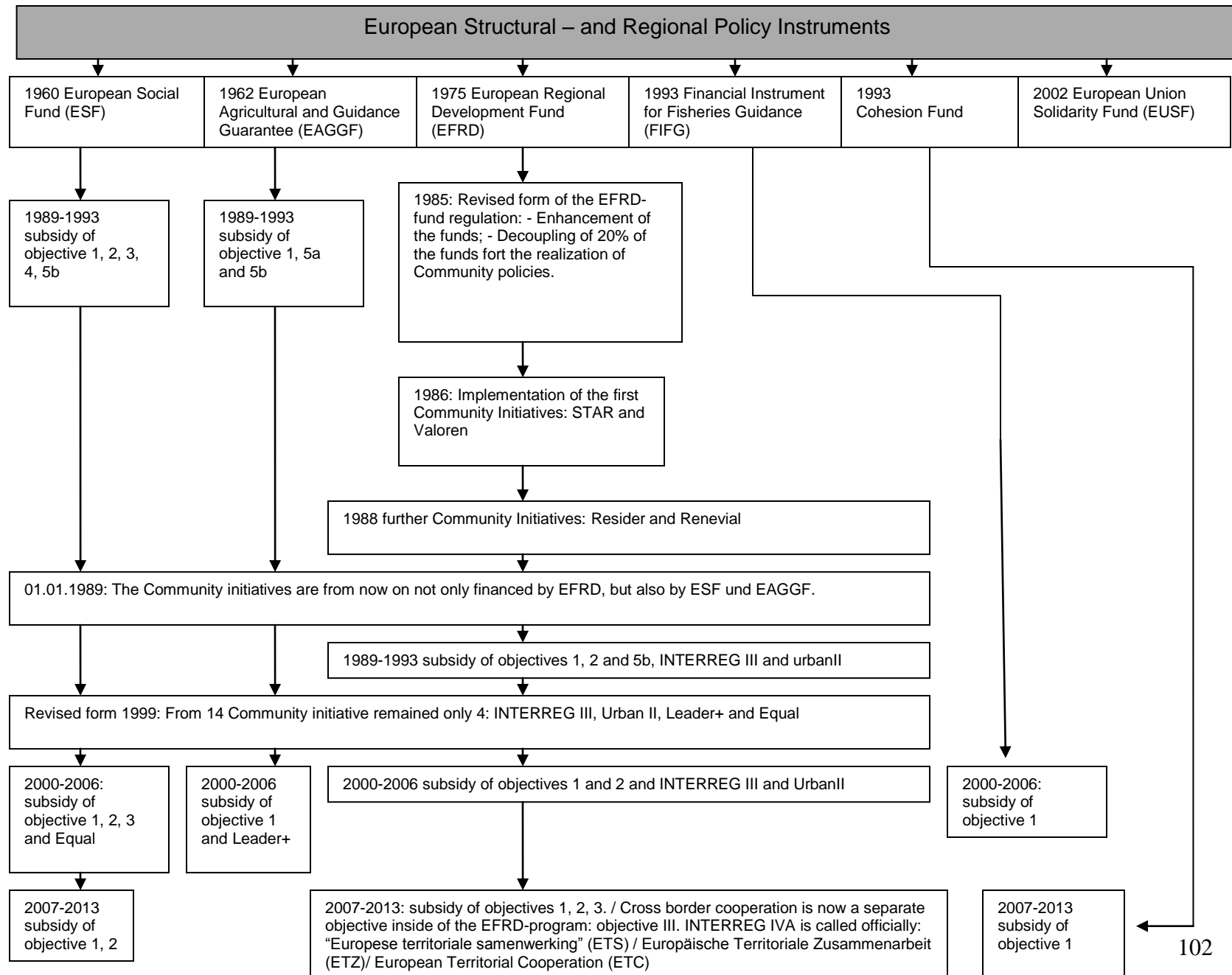
This excerpt shows that the previous Community Initiative of INTERREG – with its three strands INTERREG IIIA to promote cross-border cooperation, IIIB to promote transnational cooperation and IIIC to promote interregional cooperation – has been incorporated within this third objective on territorial cooperation (see also section 6.3 for explanations on the strands within the INTERREG Community Initiative).

In order to show the overall complex development of the European funds *illustration 6* shows the changes made in the funds and their priorities over time.

⁹¹ Within the 2007-2013 period the Community Initiatives Urban II and Equal are part of the convergence objective (Objective 1) and the regional competitiveness and employment objective (Objective 2) (CEC 2007 (a): 10).

Illustration 6: The development of European Structural Funds

Own illustration based on Europäische Kommission 1996; Vorauer 1997, ERAC 2004



5.4 Reforms of the Structural Funds in 1993 and 1999 (1994-2006)

The reform of the Structural Funds completed in 1993 was one of the consequences of the Maastricht Treaty – officially known as the Treaty on European Union (TEU) – signed in 1992. The regions of Europe had high expectations from the Maastricht Treaty in respect of strengthening subnational participation. These expectations were not fulfilled, however, because the regions were only given the right to be heard in particular cases and cross-border cooperation between decentralized public authorities, for example, was not explicitly regulated. Overall, the main focus of the TEU was on cooperation between member states in the context of enhancing socio-economic conditions (cf. Vorauer 1997: 31; cf. Seerden 1993: 56)). However, some changes were introduced for the regions, such as the introduction of the Single Market (and with that the free flow of goods, capital and people), the agglomeration effects and the repositioning of multinationals within a unified European market, as well as the introduction of budgetary discipline in the countries that were preparing to participate in the EMU (Leonardi 2006: 158). The introduction of the structurally funded cohesion policy occurred in 1989 and the doubling of the financial resources with the reform of the Structural Funds took place in 1993, and it is difficult to distinguish which of these had a greater impact on the growth which took place during those years. However, it is certainly interesting to note that the periphery began to grow at a higher rate than the core (Leonardi 2006: 158).⁹²

As for the TEU in respect to regional or cohesion policy, it is obvious that this policy was still an instrument which aimed to reduce regional disparities, but was no longer limited to that goal; it now had a further objective of enhancing the stability of the European economy. Under the TEU, a common regional policy is considered as a requirement for European Monetary Union (TEU 1992 Art. 130a 1st sentence; 130b 3rd sentence; Art. 2; Art. 3j in Holtzmann 1997: 95).

The TEU also implied changes in the way that the common regional policy was to be conducted. Article 130b (4th sentence), for example, states that the Commission has to submit a report about the progress of the economic and social cohesion every three years, as well as a report on the Structural Funds and the EIB:

⁹² For this context see also section 5.4.1.

“The Commission shall submit a report to the European Parliament, the Council, the Economic and Social Committee of the Regions every three years on the progress made towards achieving economic and social cohesion [...]” (TEU 1992 Art. 130b, 4th sentence: 26).

Furthermore, the ERDF was referred to specifically in the TEU:

“The European Regional Development Fund is intended to help to redress the main regional imbalances in the Community through participation in the development and structural adjustment of regions whose development is lagging behind and in conversion of declining industrial regions” (TEU 1992 Art. 130c).

Compared to the SEA, the TEU made clear which goals the cohesion function of the EU regional policy was to focus: strengthening economic and social cohesion (cf. TEU 1992 preamble, Art. B (first bullet), Art. 2, Art. 3j, Art. 130a 1th sentence and Art. 130b 3th sentence; cf. Holtzmann 1997: 96).

Holtzmann (1997: 97) observes that it is important to acknowledge that regional policy since Maastricht has been active in three separate fields: reducing regional disparities, stimulating economic development in structurally weaker regions, and stimulating common economic stability. However, regional policy has also had ensure the strengthening of the economic and social cohesion, which has in turn rested on realizing political integration.

The TEU not only enhanced the goals of regional policy, but also expanded the instruments available to implement it by introducing the Cohesion Funds (since 1993). The European organization of the Committee of the Regions (CoR) was also established and given regional-political competencies (Holtzmann 1997: 98). Within the TEU of 1992 the EU leaders decided to set up the CoR as „consultative assembly which will provide regions and cities with a voice in the EU decision-making process and act as a direct link between Brussels and the citizens” (COR 2011: 1).⁹³

⁹³ Primarily there existed 189 members within the CoR and with the enlargement of 1995 with Austria, Finland and Sweden the CoR consisted of 222 members. Within the Treaty of

In respect to evaluation procedures and as a direct consequence of the 'programming principle', the TEU raised the profile of economic and social cohesion and the impact of Community policies on the cohesion of the EU. The commitment to carrying out ex-ante and ex-post evaluation had already been established in the framework regulations of 1988, but no detailed requirements had been given for conducting such evaluations beyond that effectiveness in respect to the wider goals of the Structural Funds and its consequences for specific structural problems would be evaluated (Council 1988 No 2052/88 Art. 6 (2)). Since the introduction of the TEU, the impact of policies was to be monitored by evaluations and thus the European Council requested in December 1992 that greater emphasis should be given to the ex-ante and ex-post evaluation of the programs.⁹⁴ The regulations approved in 1993 made a clearer distinction between the three phases of the multi-annual program-cycle – namely the appraisal, monitoring and evaluation of the particular program (Bachtler and Michie 1995: 746). Council regulation 1993 No 2081/93, which relates to the tasks and effectiveness of the Structural Funds and the coordination of activities between the Structural Funds the EIB and other existing financial instruments, states in this regard that:

Amsterdam (1997) CoR's remit was extended "to cover around two-thirds of the EU's legislative proposals" (COR 2011: 1). The Treaty of Amsterdam also made it possible for the Committee to be consulted by the European Parliament. In 2001 within the framework of the Treaty of Nice the democratic legitimacy of the CoR was underlined, because the members had to be elected or politically accountable to an elected regional or subregional assembly. The maximum number of members was fixed at 350. Within the in 2002-03 "Convention on the Future of the EU", the CoR-members took part in that convention which was responsible for drafting EU constitutions. The text of this constitution "expressly recognizes the role and powers of subregional and regional government; it also gives the CoR the right to go to the Court of Justice of the European Communities to challenge EU laws which do not comply with the principle of subsidiary" (COR 2011: 1). With the 2004 EU enlargement, the members of the CoR increased towards 317 and with the enlargement of 2007 towards 344 members. The Lisbon Treaty of 2009 confirms the "CoR's right to appeal to the Court of Justice of the European Union to safeguard its prerogatives and the subsidiary principle" (COR 2011: 1). Next to this the Lisbon Treaty also obliged the EP to consult the CoR and it also widened the scope of the CoR competences, e.g. by adding civil protection and climate change to the list of policy areas where the CoR must be consulted (COR 2011: 1).

⁹⁴ The ex-ante evaluation (or appraisal) is part of the program-planning phase. A structured assessment of the social and economical situation in the program area has to be made. Especially the expected impact of the proposed measures and an analysis of the relevance of the proposed implementation and monitoring arrangements have to be given. The ex-post evaluation is the final stage in the evaluation process and is the duty of the Commission in collaboration with the member state (in contrary to the ex-ante evaluation which is the solely responsibility of the member states itself). The ex-post evaluation is carried out by interdependent evaluators, which exams the use of the resources, the effectiveness and efficiency of the assistance and its impact and which draw conclusions regarding the policy and economic and social cohesion (Bachtler and Wren 2006: 145-146).

“[...] ex ante appraisal, monitoring and ex post evaluation should be developed and provisions should be made for greater flexibility in the implementation of Community structural assistance to meet real needs” (Council 1993 No 2081/93: 6).

In Council regulation 1993 No 2082/93 concerning the Structural Funds in the 1994-1999 program period, a separate chapter (chapter VII) is devoted to monitoring and evaluation, in which the monitoring of the programs (with the required Monitoring Committees, annual program structure etc.) has its own subchapter, along with the “appraisal and evaluation” of the programs, in which the main focus was on “ensuring the effectiveness of Community assistance” (Council 1993 No 2082/93 Art. 26: 29). In sum, according to Bachtler and Michie (1995: 747), both the regulations above emphasized that the member states as well as the Commission were responsible for the evaluation process, and that it was the duty of ‘competent authorities’ in the member states to ensure that appraisal and evaluation were carried out in as effectively as possible. Within this funding period, the obligations on member states to monitor and evaluate their regional policies increased with the newly introduced appraisal, monitoring and evaluation requirements included in the revised regulations (cf. Council 1993 No 2081/93; Council 1993 No 2082/93; cf. Bachtler and Wren 2006: 145). As Bachtler and Michi (1995: 750) conclude, the new requirements for monitoring and especially evaluation responded to the concerns of member states and Community institutions regarding the overall effectiveness of the Structural Funds and the efficiency of operations.⁹⁵

In addition to this, a third evaluation moment was required for the period 1994-1999 – the interim evaluation, which was to be undertaken after 3 years to provide a critical analysis of progress and allow adjustments to be made, if necessary (Bachtler and Wren 2006: 145).⁹⁶

The volume of the funds allocated to regional policy grew substantially. In 1975 the budget for the three existing European Structural Funds – the ERDF, the ESF and the

⁹⁵ Community institutions such as the European Parliament, the Economic and Social Committee and the Court of Auditors (Bache and Michi 1995: 750).

⁹⁶ The ‘interim evaluation’ or ‘mid-term evaluation’ was carried out at the mid-point of the program by independent evaluators. The main aim is to find out “whether the programme strategy is still relevant in the light of economic and social trends and to assess the initial results of assistance and the extent to which targets have been attained” (Bachtler and Wren 2006: 146).

EAGGF – had been nearly 1 billion ECU. In 1993 it was around 18 billion ECU and by 1999 the total was 30 billion ECU (including the Cohesion Fund established under the TEU) (Holtzmann 1997: 29). The ERDF had been launched in 1975 with 300 million units of account, 500 million units of account for the year 1976 and 500 million units of account in for the year 1977 (Council 1975 No 724/75, Art. 2: 2).⁹⁷ Within the program period of 1989-93, 35.4 billion ECU were allocated to the ERDF and in the subsequent period of 1994-1999 this had more than doubled to 80.5 billion ECU (Boldrin and Canova 2001: 223).

The next reform of the Structural Funds took place in 1999 and the changes were applied in the third period of structural funding in the years 2000-2006. Under this set of reforms, the political priority remained by focussing on economic and social cohesion and the main goal of reducing disparities remained unchanged (cf. Treaty of Rome 1957 Art. 130; cf. Treaty of Amsterdam 1997 Art. 158). The proposals of the Commission regarding the European Structural Funds were divided into three areas. Firstly, it proposed concentrating more on the intervening of the funds. Secondly, the Commission believed that the implementation of the funds should be simplified and decentralized and thirdly, that improvements in efficiency and better monitoring were necessary. Thus a new element of the European structural policy was introduced: improving the efficiency of the financial participation of the Structural Funds. Continuing criticisms – criticisms that persisted despite the repeated reform of the Structural Funds – concerning the tactic of giving aid through the '*Gießkannenprinzip*' ('watering can model'), concerning the increasing lack of transparency, inefficiency, the often entrenched centralism and lack of relevant objectives, all led to a significant revision of the European regional policy and the Structural Funds in 1999 (cf. Spudulyte 2003: 75). In view of the forthcoming eastern enlargement of the European Union, the primary goal of reforming the Structural Funds was at that time to introduce increased flexibility into regional policy. On the basis of Agenda 2000 and the proposals of the Commission, a reform of the European Structural Funds was decided on 21 June 1999. Changes in European structural policy came into effect in the year 2000 and were effective for the period 2000-2006 (Spudulyte 2003: 75; Council 1999 No 1260/1999).

⁹⁷ Within the German version of the same EEC regulation the term 'units of account' is called '*Rechnungseinheiten*' (cf. Council 1975 No 724/75, Art. 2: 2, German version). In 1999 the common European currency system was introduced, named ECU (European Currency Unit).

Hence, one of main aims of the reform of 1999 was to simplify the implementation of the funds and to achieve this, several aspects of program management were decentralized to the member states, including responsibility for monitoring and evaluation (Bachtler and Wren 2006: 145). As already explained above, the rules and regulations for implementing the funds became increasingly complex over time, the membership of the European Union also expanded and as that happened the number of eligible areas increased. Thus the 1999 aim of 'simplification' has mainly to be seen in the light of simplifying the work of the European Commission. The withdrawal of the Commission from the content of the programs and their technical administration, which was increasingly shifted towards the national level of the member states, meant that the European Commission gradually became a *supervisor* rather than a *participant* (see the case study in chapter 6). It is likely that the drive towards simplification came mainly from the side of the Commission at the time of the reform of 1999. However, for the other levels of governance involved in the ERDF, implementing the funds may have become even more complex. In the light of the Principal-Agent model, we can see that the 'renationalization shift' from the Commission as new Principal towards authorities at the national, regional and subregional levels, which became new Agents, took place almost entirely at that time and would later be reinforced through the subsequent smaller reforms of 2006 (see also chapter 3). In reality, this 'renationalization shift', which is sometimes called a 'decentralization movement' seen from a supranational perspective – began as soon as the Structural Funds were introduced in the form of programs. This second shift, whether we call it 'renationalization' or 'decentralization', is evident in the day-to-day functioning of the programs – for example in the process of approval of the projects within a particular program.⁹⁸ In practical terms, this second shift brought increasing authority to the national level because of the establishment of the Managing Authorities which were (and still are) located at national level (cf. Council 1999 1260/1999 Art. 8 (3); Art. 9 (n); Art. 34).⁹⁹ By establishing Managing Authorities at the national level, the national level took increasing responsibility within the Structural Funds programs compared to previous funding periods (cf. Council 1993 No 2081/93; Council

⁹⁸ This 'shift' can be seen within the constellation of participants the Steering and Monitoring Committees, in which the European Commission retreated step by step and no longer has a decisive seat (cf. Council 1999 No 1260/1999 Art. 35 and for detailed information on this retreatment in the example of the Dutch-German cross-border cooperation, see chapter 6).

⁹⁹ For the Dutch-German INTERREG-program the Managing Authority is located on regional level of the '*Bundesland*-level' on behalf of the national level (see for an explanation on federal Germany section 3.1.1).

1999 No 1260/1999, Art. 8 (3); Art. 9 (n); Art. 34). The tasks and responsibilities for the Managing Authorities included submitting the annual reports of the separate programs to the Commission, collecting the required financial and statistical information about the programs and submitting them to the Commission, meeting annually with the Commission to discuss the results of the previous year's programs or adjusting the programs at their own initiative or following a request from the Monitoring Committees. The organization of the mid-term evaluation was also among the duties of the Managing Authority and, as Bachtler and Wren (2006, see above) stated, this was thus among the responsibilities of the national (German regional) level (cf. European Commission 2000: 28).

In previous funding periods, prior to 1999, the role of the Monitoring Committee had not been prescribed into detail (cf. Council 1999 No 2081/1999). However, its tasks and responsibilities were prescribed in the framework regulations for the Structural Funds for the period of 2000-2006. These included approving the Operational Programs (OPs), approving adjustments in the OPs and monitoring the evaluation of the process of the programs and approving the annual report on how the program is being conducted (Council 1999 No 1260/1999 Art. 35; cf. European Commission 2000: 28).

The 'renationalization movement' or 'second shift' of authority towards the national, regional and subregional levels of governance can also be seen in the make-up of the participants of the Monitoring Committee, where the European Commission gave up its role as a decisive voice and became an advisory member (since the 2000-2006 funding-period). The Commission remained in close contact with the Managing Authority through its annual meeting about the program and the communication between both organizations concerning any remarks or adjustments relating to particular programs. The Commission approves the annual report and conducts the ex-post evaluation, for which it works together with the member states and the Managing Authority (Council 1999 No 1260/1999: Art. 43 (2); cf. Panteia et al. (2009); cf. Interview 8 2009).

Referring to our Dutch-German case study, it is clear that the national or German regional level was already involved as a partner during previous funding periods and had had "total responsibility and ultimate accountability for the available INTERREG budget

towards the EU” (JITS 2000: 96).¹⁰⁰ For 2000-2006 period, the official role of the national (German regional) level was enhanced by the formalization of the tasks and functions of the Managing Authority (JITS 2000: 96). What was particularly interesting for the border regions was that in the framework regulations on the Structural Funds, border regions were acknowledged through the insertion of a special chapter – Chapter III – which was devoted to Community Initiatives. Article 20 of that chapter indicates the several fields which were to be covered by Community Initiatives. Article 20 1. (a) states that:

“cross-border, transnational and interregional cooperation intended to encourage the harmonious, balanced and sustainable development of the whole Community area (‘Interreg’); ...” will be stimulated (Council 1999 No 1260/1999 Art. 20, 1. (a): 20).

5.4.1 The effects of the Regional or Cohesion Policy (since 1989)

The year 1989 changed how regional policy and cohesion policy were conducted throughout the Community. When cohesion policy was first launched in 1989, the expectations of the structural implementation of this policy were not high (cf. Rumford 2000 in Leonardi 2006: 157). Over the years it became clear, however, that the goals had been very ambitious and also that it was hard to measure the extent to which the EU had in fact become ‘cohesive’ and whether disparities had been significantly reduced (cf. CEC 2004 (a) in Leonardi 2006: 158). According to Leonardi however, “it has also helped to change the often negative expectations of policy-makers in the Cohesion countries and at European level on the potential benefits to be expected from Cohesion policy” (Leonardi 2006: 158). Generally speaking, as Leonardi (2009: 158) explains, cohesion policy had impacted on social policy and on the internal policies of the EU. He elaborates that in terms of social policy, cohesion policy “has changed the nature and expectations vis-à-vis overall employment and the levels of unemployment in Europe’s less-developed areas.” Viewed from a political perspective, he explains that “[...] cohesion policy has served to change the nature of European integration from one

¹⁰⁰ Original citation: “[...]gesamte Verantwortung und endgültige Haftung über die finanzielle Abwicklung der zur Verfügung stehenden INTERREG-Mittel gegenüber der EU” (JITS 2000: 96).

emphasizing simple market integration to one stressing mutual solidarity and a united political future” (Leonardi 2006: 158).

Overall, the structural implementation of cohesion policy has not been a disappointment at all. The EU’s cohesion policy operates as one of the three pillars of the Union, alongside the single market and monetary union, “in the construction of a European political and economic space” (Leonardi 2006: 158). In this context, the Third Cohesion Report of 2004 says that it is the only policy which transfers resources from the wealthier parts of the EU to poorer ones (European Commission 2004 (a)):

“It is worth recalling that Cohesion policy [...] is the only policy of the European Union that explicitly addresses economic and social inequalities. It is thus a very specific policy involving a transfer of resources between Member States via the budget of the European Union for the purpose of supporting economic growth and sustainable development through investment in people and in physical capital” (European Commission 2004 (a): xxv in Leonardi 2006: 159).

5.5 The current program period and the outlook for the future (2007-2020)

As a consequence of the developments described above, the programs have moved from one program period to another with an increasingly heavy burden of administration, which has to be dealt with at all participating levels. This issue of the administrative burden of the programs is widely acknowledged in Brussels. For example, in the ‘Fourth Report on Economic and Social Cohesion’ (CEC (c) 2007), the reform of cohesion policy for the program period of 2007-2013 is described (CEC 2007 (c): 8f) and the priority for future reforms was identified as ‘better regulation’, which might mean simplification.

As for the future development of the Cohesion Funds and the ERDF, the commitments made to simplify in the proposal “Regulation of the European Parliament and of the Council on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal” dated 14 March 2012 go into greater

detail.¹⁰¹ In general, we can say that the issues of '(in)efficiency', '(in)effectiveness' and 'simplification' are central in the discussions in Brussels concerning the next funding period that will start in 2014. In short, the 'simplification' of the programs ought to enhance their 'efficiency' and 'effectiveness' and reduce the administrative burden and "[...] cutting red tape" (European Commission DG Regional Policy 2012 (a) presentation: 12). In its proposed regulations for the ERDF, the Commission states:

"To increase the value added of the Union's cohesion policy, the specific provisions should lead to considerable simplification on all levels involved: beneficiaries, programme authorities, participating Member States and third countries, as well as the Commission" (Council 2012 No COM(2011)611 final/2: 9).

In the proposals and discussions relating to the preparation of the new regulations for the European Structural Funds and the ERDF for the funding period 2014-2020, the general tenor is that funding should be concentrated "on a smaller number of priorities" which are "better linked to the Europe 2020 Strategy". The focus here will be on results and monitoring progress towards the agreed objectives and "increasing the use of conditionalities and simplifying the delivery" (Council 2012 No COM(2011)611 final/2: 2).¹⁰²

During 2011 and 2012, the proposals for the next funding period of 2014-2020 were widely discussed, especially at the supranational level, and communicated to all other levels. One of the main points to be communicated in 2012 from the supranational level to the national, regional and subregional levels (and other interested recipients) was that the proposal would foresee a greater harmonization of rules, whereby "eligibility rules will

¹⁰¹ Since the Treaty of Lisbon (2007), the Parliament has been responsible for the framework regulation of the Structural Funds. That is why the discussion about the proposal in the EP is much more lively for the next program period than it was in the past (cf. interview 32 2012; cf. Lisbon Treaty 2007; e.g. Art. 15 (point 14): Art 16 (point 15)).

¹⁰² "Europe 2020 is the EU's growth strategy for the coming decade. [...] Concretely, the Union has set five ambitious objectives – on employment, innovation, education, social inclusion and climate/energy – to be reached by 2020. Each Member State has adopted its own national targets in each of these areas. Concrete actions at EU and national levels underpin the strategy." (Barroso web page European Commission, access 30.03.2013, cf. Interview 26 2012).

be either fixed at EU level or by the Monitoring Committee of the programme as a whole”, with national rules only being applied in cases where there are no European rules (Council 2012 No COM(2011)611 final/2: 7). The proposal also states that: “This will also facilitate a joint approach in carrying out the management verifications and audits by the audit authority and thus contribute to greater harmonization in this field” (Council 2012 No COM(2011)611 final/2: 7).

The proposals for new regulations on the ERDF explain the activities and structure of future programs in detail. The European Commission (DG Regional Policy) also published a special item on simplification, which is called ‘Simplifying Cohesion Policy for 2014-2020’ in order to elaborate the process of simplifying future programs in detail. It is significant that the first sentence in the introduction of this document states that “Simplification has been one of the most popular demands for the new cohesion policy” (CEC 2012 (b): 3). The next section of the document emphasizes that simplification cannot be achieved by relying only on the Commission’s proposals. It continues by arguing that member states and all the authorities involved have a key role to play in ensuring simplification:

“a reduction of administrative burden for beneficiaries is the main aim behind the Commission’s proposals. Some elements of simplification reduce administrative effort at all levels and some are targeted at national and regional administrations” (CEC 2012 (b): 4).

The document on simplifying cohesion policy includes a total of ten points on simplification. These include the following:

- ‘Harmonisation of rules with other Common Strategic Framework (CSF) Funds’¹⁰³;
- ‘More flexibility in the set-up of programs and systems’;
- ‘Increased proportionality’;
- ‘Legal certainty through clearer rules’;
- ‘More efficient delivery and lighter reporting’;

¹⁰³ As explained above, the amount of regulation involved in the Structural Funds was already reduced for the period 2007-2013, in order to make the programs more comparable with each other and better manageable at least at the national (German regional: ‘*Bundesländer*’) and supranational level of governance, in which several programs (national, or German regional level) or all (supranational level) are managed.

- 'Reducing the administrative burden for beneficiaries;
- 'A move towards results-based management: the Joint Action Plan';
- 'E-Cohesion';
- 'Simplification of European Territorial Co-operation'
- and 'Simplification of the European Social Fund' (CEC 2012 (b): 5-14).

Not all of these points correspond with the case study in this research – because they are embracing the whole cohesion policy – and therefore the points that fit to this case study are explained and the efforts which has been made so far in respect to these 10 points of improvement, at the Dutch-German program are elaborated within the section on cross-border cooperation in section 6.7 (cf. CEC 2012 (b)).

Even though there is acknowledgement in Brussels of the problem of the increased administrative burden on programs generally and in this case particularly on cross-border cooperation, there is skepticism about the extent to which real change is possible. In contrast to the plausible-sounding commitments and the control mechanisms of the Structural Funds in general and how they might be changed in the future, one interviewee at the DG Regional Policy said: “Under the new regulations things will not get any better. The discussion is about simplification for the end-user, but everything is being shifted towards the management authorities and they already have a heavy workload with the controlling issues” (interview 12 2012).¹⁰⁴

Regarding control mechanisms and measuring the output of Structural Programs in general, one other civil servant from the DG Regional Policy who works in the department for cross-border cooperation and is responsible for the '*Qualitätssicherung*' of the programs seemed to share the point of view of the previous interviewee: “Under the new proposals for the regulations things will not become any simpler. Even though the goal is to achieve simplification, in general it will become more complicated, meaning that in some areas things will become simpler and in others it will not” (interview 10 2012).¹⁰⁵

¹⁰⁴ Original quotation: “In de nieuwe verordening wordt het niet beter. Men heeft het wel over een simplifycatie voor de eindverbruiker, maar het zwartepunt verschuift gewoon op de managementautoriteit, die hebben het nu ook al zwaar met de controles” (interview 12 2012).

¹⁰⁵ Original quotation: “Mit den neuen Verordnungsvorschlägen wird es nicht einfacher. Das Ziel ist zwar eine Vereinfachung, aber im Grunde wird es schwieriger, d.h. in einigen Sachen mag es einfacher werden, in anderen aber eher nicht“ (interview 10 2012).

In order to demonstrate how complex it is to simplify programs, chapter 6 will discuss two concrete aspects of simplifying a program like INTERREG in the context of administration, which will, on the one hand, effectively measure of the results of the programs and report these from the subregional, regional and national government level up to the supranational European level and the European Commission, while on the other hand striving to reduce the administrative burden for beneficiaries.

5.6 Summary

While the first years of the European Regional Development Fund (ERDF) that started in 1975 can be seen as kind of a test phase, when regulations were revised and intensified (see section 5.1), the later reforms, especially that of 1988 which put the principles of the Single European Act (SEA) into practice, are evidence of an incremental renationalization, mainly through the introduction of the four principles developed to guide European structural funding: 'partnership', 'programming', 'concentration' and 'additionality' (see sections 5.3 and 5.3.1).

Basically, the common structural policy, as we still know it today, was created through the SEA and began to be implemented after the reform of 1988. The goal of reducing disparities – which had been defined in the Treaties of Rome (1957) (see chapter 4) – remained essentially unchanged until the time of the SEA, but the means of achieving that goal differed. In the times of the EEC, the goal was to decrease (economic) disparities in and between member states simply by establishing a common market and using the national economic policies in Europe. After the SEA, however, this goal was taken over by the Community as a whole, enabling more actors to become involved in the process. The idea was that developing European structural funds such as the ERDF could lead to that goal.

A new development at the end of the 1980s was that the regions of Europe began to lobby at the European institutions in Brussels for themselves and with relative success, by establishing regional representations in Brussels but also by establishing the

Committee of the Regions (CoR) after the Treaty on European Union (Maastricht Treaty) of 1992. Regional policy changed from a policy ‘for the regions’ towards a policy ‘by the regions’. In that sense, regions as administrative and political institutions became both decision-makers and the actors responsible for implementation. The supranational level (the European Commission) was no longer seen as the only level where development policies could be initiated and authority was transferred from the supranational level towards other, (sub)national levels.

The European Structural Funds and its European objectives have changed over time as has been explained in this chapter (see section 5.3.2). The changes in the funds and their objectives can be regarded as adaptations to the requirements of the European regions over time, but later, especially since the reforms of 1999, as attempts to simplify the system of Structural Funds. As well as reducing the number of objectives and funds in the later program periods, the number of regulations for implementing them has also decreased. For example, the latest regulations are generally applicable for nearly all funds and there are no longer separate guidelines for the separate funds (see also section 6.5.1). The question remains, however, for whom this alleged simplification has been undertaken – for the supranational level or for the other levels of governance that are involved in the practical day-to-day work of the funds.

To sum up chapter 5, the establishment of the European Regional Development Fund (ERDF) in 1975 can be seen as kind of a turning point from the ‘first shift of authority’ – the supranationalization shift – towards the ‘second shift’ also labeled as the ‘renationalization shift’ in this dissertation. By establishing the ERDF, a fund that was from the very beginning implemented in the regions of the member states themselves, the European Commission as a supranational institution delegated increasing amounts of authority and responsibility to the other levels of governance involved – national, regional and also subregional authorities. In terms of the combined MLG-PA model of this dissertation (see *illustration 3*), the European Commission turned from an Agent of the first shift (see *illustration 4*) towards a ‘new Principal’, while the other involved levels of governance became ‘new Agent’ with the second shift (see *illustration 5*).

This development took place mostly after the reform of 1988, when the four basic principles, mentioned above, have increasingly transformed the European Commission into a supervisor rather than a participant. In other words, the European Commission

has become more and more the new Principal while the other authorities involved at the various levels of government have become the (multiple) 'new Agents'. Those multiple second 'new Agents' implement the programs for regional policy by themselves and with increasingly responsibility. It depends on each country how authority between those multiple second Agents is divided and which level of governance has which authority by conducting regional programs. A side-effect of this tendency in European regional policy, cohesion policy and European Structural Funds has been that the European Commission, acting as a 'new Principal', has increasingly sought to control the way money has been spent in the regions. In fact, particularly due to the principle of 'programming', control and oversight mechanisms have increased because they are closely related to reporting. The allocation of funding by means of a multi-annual program structure has made reporting and controlling ever more important since it has become a channel of communication up to the supranational level and a control tool of the European Commission. Much later, the other levels involved have sometimes added extra requirements for particular programs, which will be discussed later on in the Dutch-German case study (see chapter 6). In general, the development of increasing oversight and control by the supranational level over the other levels of governance involved began right after the introduction of the ERDF (see also section 5.1.1), but became much more pronounced after the reform of 1988.

It is this second shift, the division of authority over multiple actors on multiple levels whereby positions of Agents and Principals change, especially after the 1988-reform, that result in increasing complexity of administration within the Dutch-German cross-border program. I will focus on this issue in the next chapter on the Dutch-German cross-border cooperation.

6. Cross-border Cooperation: The Dutch-German Border

This chapter aims to outline the development of Dutch-German cross-border cooperation. Most important point to note in this context is, that there has been not one development but at least two: on the one hand there was general European integration, the establishment and development of supranational institutions and the development of European regional and cohesion policy (as has been described extensively in chapters 4 and 5). In parallel to these processes, we see a grass-roots development in the border regions themselves to establish networks, institutions and organizations with the aim of promoting cross-border cooperation in the border region for the benefit of the individual region itself. These early initiatives did not depend on decisions made in Brussels, but from the border regions themselves; they were not part of the European-wide strategy for integration, but can be considered more as separate initiatives that sprang up independently and in slightly different forms.

In general, these two developments met each other in the 1980s, when the European institutions in Brussels became increasingly aware that they should support cross-border cooperation systematically by European financial funding.

After explaining the details of structural European funding for border regions and the impact that the cross-border INTERREG program had on the Dutch-German border from 1989 until today (see sections 6.3 and 6.4), this chapter will focus on the increasing complexity of Dutch-German cross-border cooperation and the practical reasons for this, including an analysis of European documents such as guidelines and regulations (see section 6.5.1) and a discussion on the complexity of the day-to-day work of the program (see sections 6.5.2 - 6.5.4). We will also discuss the simplification of the program, especially for the end beneficiaries (see sections 6.6 and 6.7).

6.1 Early cross-border cooperation in the context of the ERDF

In the first ERDF regulations, cross-border regions were defined as regions that could receive financial support from the ERDF. When distributing the fund, the Commission planned to examine, among other things:

“(D) whether the investment falls within a frontier area, that is to say, within adjacent regions of separate member states” (Council 1975 No 724/75 Art. 5)

In 1981, within the framework of the ERDF in combination with trans-frontier or cross-border cooperation, a recommendation was published by the Commission which set out the regulations for the ERDF of 1975 and its amendments of 1979 and 1980, and the Commission’s recommendation of 1979 to the member states on regional development programs (cf. CEC 1979 No 535/79, point 4 and 5; cf. Council 1979 No 214/79; cf. Council 1980 No 3325/80; cf. CEC 1981 No. 879/81). In this particular document, recommendations were made by the Commission about the Dutch-German ‘*Ems Dollart-Programme*’, which was communicated to the Commission by the Netherlands and Germany and discussed by the Regional Policy Committee in 1979.¹⁰⁶ The ‘*Ems Dollart-Programme*’ was prepared jointly by the two states involved and was seen as an initial experiment “bringing into relief the specific problems of this area, and in particular the bottlenecks arising from delayed integration and from measures adopted on either side of the frontier” (CEC 1981 No 879/81). The document states that this program should be developed further “in order to achieve improved cooperation of regional development on both sides of the frontier” and should be based on joint objectives” (CEC 1981 No 879/81). What is particularly interesting is that in this recommendation the specific case of the Ems Dollart Region is transferred to the border regions in the member states generally and to other activities within those regions: “There are other areas adjoining a common land frontier that present special problems for which common trans-frontier programs are being prepared” (CEC 1981 No 879/81).

The Commission’s 1981 recommendation also acknowledged the general existence of problems and issues specific to border areas and stated that the member states therefore “have a special responsibility with regard to these regions and areas” and that, where those issues occur, it is the task of the relevant authorities to cooperate closely with across borders (cf. CEC 1981 No 879/81). The central point of this recommendation, however, was the Commission declaration that it intended to examine

¹⁰⁶ Within this English document the program is called ‘*Ems Dollar Programme*’, in the German translation however, the program is called ‘*Ems-Dollart-Programm*’, as known until the end of INTERREG IIIA (2006).

development programs for the border regions and would prioritize funding for studies into improved coordination in formulating regional development programs for those border regions (CEC 1981 No 879/81). Furthermore, recommendations to the member states were made that the Netherlands and Germany should continue its cross-border Ems Dollar Program with the aim of elaborate it further and also establishing development programs for other areas along the Dutch-German. The aim was these programs:

“[...] starting from a common basis, should aim at the harmonization of regional and sectoral aids to private investment and should indicate bottlenecks as well as action to be undertaken particularly in relation to economic and social infrastructure” (CEC 1981 No 879/81).

In addition to this, the Commission recommended that border areas, which were to receive financial assistance through the ERDF program in the years 1981-85, should reach out to authorities on the other side of the border in order to coordinate an economic and social analysis, especially “concerning employment problems related to trans-frontier movements” (CEC 1981 No 879/81). The most important recommendation for the general development of cross-border cooperation programs on internal borders, especially at the Dutch-German border, was this recommendation:

“For areas closest to frontiers the Member States should examine the possibility of formulating common transfrontier programmes, particularly in relation to economic and social infrastructure investments and to the protection of the environment” (CEC 1981 No 879/81).

This recommendation was the Commission’s appeal for action in border regions in respect to establishing joint programs. It is easy to imagine that the prospect of financing joint programs in future within the framework of the ERDF had played a role in the Commission’s decision to publish this recommendation, particularly when one remembers that the European authorities in Brussels were already in close contact with the ‘lobbyists’ of the Association of European Border Regions (AEBR). The bottom-up involvement from the member states and the border regions themselves came about in

several border regions at that time and these activities were mainly grouped within the (AEBR), which had been set up in 1971.¹⁰⁷

The AEBR represented the border regions at the European level from the beginning, and had close contacts with the European Parliament, the European Commission (DG Regional Policy), the Committee of the Regions and the Economic and Social Committee. It was based on the idea that “the diversity of Europe's problems and opportunities are concentrated in the border and cross-border regions like under a magnifying glass“ (cf. AEBR 2013 web page access 21.03.2013). This association encouraged closer cooperation and individual discussions with commissioners and director-generals and was also in regular contact with the European Parliament, especially with the Regional Committee during this first period of the ERDF (AEBR 2008: 30; interview 5 2009). In fact, the lobbying work of the Euregions themselves was mainly conducted by the AEBR in Brussels during the 1980s and helped to achieve structural support for European cross-border cooperation and resulted in the later INTERREG initiative for cross-border cooperation (cf. interview 5 2009: Gabbe and v. Malchus 2008: 19).¹⁰⁸

Cooperation within the AEBR in the 1970s consisted mainly of cooperation under the aegis of the Council of Europe (CoE), since promoting cross-border cooperation was at that time one of the aims of the CoE, and with that it was the CoE that, from all international organizations, most intensively dealt with the possible role of the regions and municipalities and the impact of their cross-border contacts as factors in the

¹⁰⁷ “The idea of setting up a European association, or “union for border regions”, was first discussed in 1965 at the International Regional Planning Conference in Basel. Following intensive preparatory work, ten border regions set up a Standing Conference of European Border Regions on 17-18 June 1971 at the Anholt Castle (EUREGIO). The Conference chose to call itself the “Association of European Border Regions (AEBR)” (AEBR 2006: 10) The message which was sent from the AEBR towards European institutions from the 1970s onwards can be summed up as: “It is in these places (in the border regions) that Europe becomes a reality for its citizens. It is at these internal borders that European unification must prove its worth and that the European continent must join together. If this is not possible at the borders, then the entire European unification and integration process would be in jeopardy” (AEBR 2006: 20).

¹⁰⁸ In the 1970s and 1980s, subregional cross-border organizations from all over Europe lobbied in Brussels for European funding for border-regions (cf. Gabbe and v. Malchus 2008: 19f). They did this partly through a Europe-wide association for border regions, the Association of European Border Regions (AEBR). Successful lobbying, along with the fact that there was already a favorable attitude to cross-border cooperation in the Dutch national government and the German federal state of North Rhine-Westphalia, led to the start of INTERREG as a pilot project in 1989/1990 (Perkmann 2005: 172).

European integration proces (Raich 1995: 31). This partnership between the AEBR and the CoE was to lead to the European Outline Convention (EOC) of Madrid on 21 May 1980, which came into force on 22 December 1981.¹⁰⁹ The central goal of the EOC was, in brief, to stimulate cross-border cooperation between territorial partners and authorities, because cross-border cooperation between decentralized authorities was understood to be a tool with which to achieve the goal of improving integration between the member states of the Council of Europe (Seerden 1993: 42). However, the EOC itself was not a legal basis for cross-border cooperation at the subnational level, and so bilateral or multilateral agreements between the states at the national level were also needed.¹¹⁰ The nature of these agreements was determined according to the laws of the particular states involved, in accordance with the EOC (cf. Raich 1995: 36).

This kind of bottom-up program, prepared at the regional or national level, was closely akin to the existing Dutch-German Euregions, which had already been established.¹¹¹ In fact, the Euregions played a main part in developing those programs. On the basis of the first Dutch-German program mentioned above which had already received support from the EEC at the end of the 1970s, the AEBR developed into a systematic structure which was based on this first experience of such a program and could be summed up as a “system for cross-border development concepts and programs” (cf. Von Malchus, Robert and Gabbe 1981 in AEBR 2006: 22). Alongside this, the so-called “European Charter for Border and Cross-Border Regions” was published by the AEBR. The Charter outlined the historical background of cross-border cooperation and its potential obstacles and opportunities, as well as the objectives and tools available to each of the individual sectors, such as regional planning, infrastructure, economy, culture and tourism (AEBR 2006: 22).

¹⁰⁹ However, the European Outline Convention was not established in haste. As early as 1966, there was a draft agreement for cross-border cooperation between decentralized authorities (cf. Seerden 1993: 41; cf. Parliamentary Assembly 1966).

¹¹⁰ Because of the fact that the EOC was only weakly binding in a legal respect, the convention can be regarded as a first step towards decentralization within the cooperation of the border-regions (Raich 1995: 36).

¹¹¹ In 1958 the first Dutch-German Euregion was established, which was the EUREGIO (Gronau) and in 1978 the last Euregion along this border was set up, the euregio rhine-maas-north (Mönchengladbach). For a more detailed explanation on the structure of the Dutch-German border and its Euregions see section 6.2. The euregio rhine-maas-north is always written in lower cases, while the EUREGIO (Gronau/Enschede) is always written in capitals

The first border areas to receive financial support from the ERDF for cross-border cooperation, during the mid-1980s, were mainly the border areas in Ireland and Northern Ireland, in order to enhance their economic and social development (cf. Council 1980 No 2619/80; cf. Council 1985 No 3637/85). However, in 1987 the Commission approved also three national programs for France, Belgium and Luxembourg which together formed a coherent whole called the three-frontier European Development Pole (EDP) and was “a pilot project for cross-frontier cooperation in the Community” (CEC 1987: 13).

6.2 The development of (Dutch-German) cross-border cooperation: a bottom-up movement

Parallel to the development of the ERDF and European regional policy in general, there was also increasing cross-border activity in the border regions themselves. In the case of the Dutch-German border, subregional organizations called Euregions sought to promote cross-border cooperation in the Dutch-German border regions. In 1958, Dutch-German cross-border cooperation project was initiated by the border region itself and the first Dutch-German Euregion – the EUREGIO in Gronau/Enschede – was established. This was followed by the Euregio Rhine-Waal (ERW) in Kleve in 1968, the Dutch-German-Belgian Euregio Maas-Rhine (EMR) in Aachen-Maastricht-Eupen in 1976, the Ems Dollart Region (EDR) in Nieuweschans in 1977, and the euregion rhine-maas-north (ermn) in Mönchengladbach in 1978.

Originally, all these organizations were established by subregional stakeholders on either side of the border, who took the initiative to provide money for cross-border cooperation long before the European Commission launched its INTERREG program in 1989 (cf. Ministerium für Wirtschaft und Mittelstand 2001; cf. Van Houtum 1993 75f.; Miosga 1999: 68f).

At the time of the establishment of the first Euregions in the late 1950s and early 1960s – which is sometimes called the ‘pioneer phase’ – the Euregions along the Dutch-German border focused mainly on *Aufbauarbeit* or building upwards.¹¹² As such, the basis for these Euregions were subregional problems, especially those faced by the

¹¹² In Breuer (2001: 86) the German words ‘*Pionier-Phase*’ and ‘*Aufbauarbeit*’ are used.

inhabitants of the border regions on both sides of the border, and the objective was to solve these problems through cross-border activities or cross-border cooperation networks (cf. Breuer 2001: 86).

The Treaty of Anholt (German: '*Anholter Vertrag*', Dutch '*Verdrag van Anholt*'), which was signed by Germany and the Netherlands in 1991, provided for cross-border cooperation at a regional level and created a legal basis for Dutch-German cross-border cooperation. The Treaty of Anholt can be seen as a direct consequence of the European Outline Convention of 1980 (entered into force 1981), as well as being the result of lobbying by a number of decentralized organizations at the national level during the 1980s, which wanted to take action across the Dutch-German border.¹¹³ The Treaty of Anholt was signed on 23 May 1991 and came into force on 1 January 1993, being signed by the Federal Republic of Germany, the Kingdom of the Netherlands and by the German federal states of North Rhine-Westphalia and Lower Saxony (cf. Treaty of Anholt 1991: 1). The goal of the Treaty was to create an opportunity for decentralized organizations to act across borders under regulation by public law (cf. Caspers 2011: 6).¹¹⁴ As Seerden (1993: 202) summed up, the main principle of this Dutch-German Treaty was that cooperation was not compulsory and the Dutch-German Treaty created a framework within which decentralized authorities are able to make public cross-border agreements (Seerden 1993: 202).

¹¹³ The Treaty of Anholt is officially called in German '*Abkommen zwischen dem Land Nordrhein-Westfalen, dem Land Niedersachsen, der Bundesrepublik Deutschland und dem Königreich der Niederlande über grenzüberschreitende Zusammenarbeit zwischen Gebietskörperschaften und anderen öffentlichen Stellen*' and in Dutch '*Overeenkomst tussen het Koninkrijk der Nederlanden, de Bondsrepubliek Duitsland, het Land Nedersaksen en het Land Noordrijn-Westfalen inzake grensoverschrijdende samenwerking tussen territoriale gemeenschappen of autoriteiten*' (Treaty of Anholt 1991).

¹¹⁴ The 'Treaty of Anholt' is not the only contract between the Netherlands in Germany in respect to cross-border cooperation. However, other contracts usually concern intergovernmental cooperation instead of cooperation between decentralized organizations. An example for another such agreement is the '*Algemeen Verdrag tussen het Koninkrijk der Nederlanden en de Bondsrepubliek Duitsland tot regeling van met de grens verband houdende vraagstukken en andere tussen beide landen bestaande problemen*' of 1960 (came into force in 1963). On the basis of this contract other contracts in respect to cross-border cooperation were established, e.g. the '*Overeenkomst tussen het Koninkrijk der Nederlanden en de Bondsrepubliek Duitsland inzake het kleine grensverkeer*' (1960), '*Verdrag tussen het Koninkrijk der Nederlanden en de Bondsrepubliek Duitsland nopens het verloop van de gemeenschappelijke landsgrens, de grenswateren, het grondbezit in de nabijheid van de grens, het grensoverschrijdende verkeer over land en via binnenwateren en andere met de grens verband houdende vraagstukken, met bijlagen en slotprotocol (Grensverdrag)*' (1960) or het '*Eems-Dollardverdrag*' (1960) (Seerden 1993: 223-229).

This makes the basic principles of the Treaty of Anholt clear: cooperation is voluntary and the internal law of the states is inviolable (cf. Treaty of Anholt 1991).

Working together within a framework of public law has some advantages over cooperating on an informal basis or under private law: Firstly, there is better democratic control over cross-border cooperation, and greater political influence. Secondly, cooperation is better structured and sustainable cooperation can be undertaken; and thirdly, it enables a more efficient action through subregional government (cf. Caspers 2011: 6).

In general, European regional policy came to play an ever increasing role, especially during the 1980s, when the Single European Act was an important step towards realizing further market integration. However, the later support of the Structural Funds shifted the priority of cross-border cooperation matters such as culture and social issues to the economic stimulation of the border regions (cf. Breuer 2001: 87).

6.3 A general outline of the INTERREG program

European funding for cross-border cooperation within the ERDF and the INTERREG program started in 1989 as a pilot and continued in a program structure in 1990 (cf. interview 30 2009). The new aspect of the Community Initiative INTERREG within the overall umbrella of the ERDF was that European financial aid was not solely allocated to states and regions but also to subregional cross-border structures such as Euregions (CEC 2002: 7).

From 1990 until the end of its last program period (2006), INTERREG was one of several European Community Initiatives (CIs). The INTERREG for cross-border cooperation progressed from being a CI to being a distinct EU policy objective in its own right (for further explanations on European objectives see section 5.3.2). As such, INTERREG became a separate objective and is no longer part of the European Community Initiatives. The objective on which INTERREG is based is called European Territorial Cooperation (ETC) and the term INTERREG in fact is just the working title of the program. The overall aim of INTERREG program for cross-border cooperation has

remained constant throughout all its funding periods and continues to state that: 'National borders should not be a barrier to the balanced development and integration of the European territory' (CEC 2004 (b): 2). The extent to which the Commission sees an important role for itself in this respect is evident in the Commission's statement that "border areas have often been neglected under national policy, with the result that their economies have tended to become peripheral within national boundaries" (CEC 2004 (b): 2).

The creation of the objective of European Territorial Cooperation (ETC) did not entail any huge changes in the cross-border programs themselves, but emphasized the importance of the European territorial cooperation within the wider European framework. According to Danuta Hübner:¹¹⁵

"The increased importance of these cooperation programmes, still commonly referred to as INTERREG, is demonstrated by the fact they have now become one of the three Cohesion Policy objectives" (CEC 2007 (b); cf. interview 18 2009).

In addition to this change, the financial volume of all cross-border cooperation programs rose significantly from around €1.1 million in INTERREG I, to around €2.6 million in INTERREG IIA, to around €4.0 million in the program period of INTERREG IIIA to around €5.6 million in 2007-2013 (cf. Gabbe and V. Malchus 2008, cf. AEBR 2000: 39; cf. CEC 1990 No 90/c 215/04: 6). In respect of INTERREG's increasing budget, it has to be said that INTERREG has widened its remit over successive funding periods (see also *illustration 5*) and that there were also enlargements of the European Union, so the area over which INTERREG was implemented was larger than at the beginning of the program.

The INTERREG program has now been through three program periods. It is currently in its fourth period of funding and discussions about the fifth period of funding are taking place between all the levels of governance involved. INTERREG I was implemented in

¹¹⁵ Danuta Hübner was a European Commissioner for Regional Policy from 2004 until 2009. In 2009 she was elected to the European Parliament and consequently she had to give up her position in the European Commission.

the period of 1990-1993, INTERREG II in 1994-1999, INTERREG IIIA in 2000-2006 and European Territorial Cooperation (ETC) (often called INTERREG IV A) in 2007-2013. A general overview of the development of the INTERREG programs can be seen in the illustration below (see *illustration 7*).

Illustration 7: The development of the INTERREG initiative

Type of Cooperation	Before 1990	1990-1993	1994-1999	2000-2006	2007-2013
Cross-border cooperation	Bottom-up initiatives without EC/EU support	INTERREG I (31 programs)	INTERREG IIA (59 programs)	INTERREG IIIA (64 programs)	ETC* (INTERREG IVA) (52 programs)
Energy networks			INTERREG IIB (9 programs)		
Transnational cooperation			INTERREG IIC (1997-1999) (7 programs)	INTERREG IIIB (13 programs)	ETC (INTERREG IVB) (13 programs)
Interregional Cooperation				INTERREG IIIC	ETC (INTERREG IVC)

*ETC=European Territorial Cooperation

(Source: cf. Dühr, Colomb and Nadin 2010: 233; CEC 2004 (a): 156)

6.4 INTERREG as a game-changer for the Dutch-German Euregions

Since 1989, the cross-border Euregions have also been responsible for implementing the INTERREG initiative – which was and still is part of the ERDF framework – and for coordinating the INTERREG projects, alongside their other responsibilities such as conducting other (European) subsidy programs (such as EURES, EUROPE DIRECT, SSK) and advising the inhabitants of border regions on cross-border issues.¹¹⁶ The

¹¹⁶ EUROPE DIRECT is an EU-wide network of information centers about the European Union, which has existed since 2005. The Euregion Rhine-Waal was until the end of 2012 one of these

reason for involving the Euregions in distributing European funding for cross-border cooperation may be that, especially along the Dutch-German border, the Euregions were at that time already well-rooted institutions with a stable organizational structure and they had already several years of experience in cross-border cooperation. In addition to this, as Miosga states:

“By delegating tasks (setting up programs and finding projects), the Euregions were assigned a new role, one that nearly the same as that of regional development agencies. This gave them the responsibility to use their powers in their particular field of responsibility, which is regulated by the INTERREG guidelines and which should be applied in the sense of an innovative [...] regional policy” (Miosga 1999: 90).¹¹⁷

The launch of INTERREG was a game changer for the Dutch-German Euregions because suddenly there was a lot more budget to conduct cross-border cooperation in a larger scale and therefore working across border was acknowledged Europe-wide by the supranational authorities. Giving European money to the border regions meant also an establishment and introduction of new structures and administrative mechanisms: Especially when the first INTERREG program started in 1990 in compliance with the ‘programming-principle’ – so that the European Commission could keep track of all cross-border projects – the Euregions and the other involved levels of governance (national and regional levels on both side of the border) had to prove their activities and had to decide together with the supranational level about the content of cross-border cooperation. Even though the launch of INTERREG meant that other levels of

information centers and organized for example events relating to European topics and gives citizens the opportunity to get more information about European issues. EURES is a European program which connects border regions with each other to improve the employment situation by making EURES-advisors available, setting up cross-border job-databases etc. (Euregio Rhein-Waal 2011, web page, access 05.07.2011). SSK stands for “*Sport, Soziales und Kultur*” and is a financing tool of the ERW which existed already before the INTERREG program started. It finances mainly events instead of projects (as INTERREG does). SSK is not financed by the European Union, but by the contributions of the members of the ERW, which are mostly municipalities, cities or chambers of commerce in the border regions.

¹¹⁷ Original citation: “Durch die Aufgabenzuweisung (Programmerstellung und Projektfindung) sind die Euregios mit einer neuen Aufgabenstellung konfrontiert, die der Funktion regionaler Entwicklungsagenturen nahe kommt. Somit sind sie in die Verantwortung genommen, in ihrem jeweiligen Zuständigkeitsbereich die Spielräume, die die INTERREG-Verordnung vorgibt, zu nutzen und im Sinne einer innovativen [...] Regionalpolitik anzuwenden” (Miosga 1999: 90).

governance became involved, the Dutch-German Euregions were still enthusiastic about the program because European money made it possible to develop larger cross-border projects than the former smaller initiatives financed by the stakeholders in the border area (cf. interview 19 2012).

Before INTERREG funding was introduced, there were loose contacts across the border, but nothing binding. For example, the ERW had a connecting role between municipalities on both sides of the border, but many parties had no contact with each other (cf. interview 19 2012). As already explained, the Euregions hardly had the means of establishing specific cross-border cooperation projects before INTERREG started in 1989. In those times “being associated with an Euregion or being interested in cross-border cooperation as a civil servant was seen more as a voluntary matter” (interview 19 2012).¹¹⁸

Before the program structure was introduced for INTERREG, a pilot phase was conducted in which five projects were realized following the example of the ERW. At this stage of INTERREG, it was not just any projects that received finance, but projects were chosen on the basis of the ‘*Grenzüberschreitendes Entwicklungs- und Handlungskonzept*’ of the ERW from 1989.

During the pilot phase of INTERREG (1989/1990), decision-making authority for specific cross-border projects lay with the European Commission. This meant that in this first year of INTERREG funding, the Commission dealt with applications for cross-border projects directly. The decision on whether or not a project would be supported by European INTERREG money was taken by the European Commission alone. However, before this final decision, in the case of the ERW for example, the Euregion Council approved the project before the applications could be sent to the European Commission (cf. Euregio Rhein-Waal 1993: 1; interview 3 2010). However, as was made clear in the case of the ERW: “The Euregion Rhine-Waal is responsible to the European Commission for the financial processing of the funds” (Euregio Rhein-Waal 1993: 1).¹¹⁹ In this pilot phase, some Euregions used European money to draw up regional

¹¹⁸ Original quotation: “Verbonden zijn aan een Euregio of als ambtenaar geïnteresseerd zijn in grensoverschrijdende samenwerking werd meer als een vrijwillig iets gezien” (interview 19 2012).

¹¹⁹ Original citation: “Die Euregio Rhein-Waal trägt die Verantwortung für die finanzielle Abwicklung der Fördermittel gegenüber der Europäischen Kommission” (Euregio Rhein-Waal 1993: 1).

development plans or, for example, bicycle paths that led across the border. The first cross-border projects financed by the European Commission were in fact simple, specific and had a short duration. The projects had to be realized within two years (interview 2 2009). There was no official start to this pre-INTERREG period; the Euregions each began applying for money independently for cross-border projects at the European Commission (interview 11 2009; cf. Regio Rijn-Waal 1989: 1).

As early as 1990, the national governments of Belgium, the Netherlands and the regional government of Germany (the *Landesregierungen* of North Rhine-Westphalia and Lower Saxony) agreed on a common concept for the Operational Programs for the border regions along the Dutch-German-(Belgian) border. The governments agreed mainly on uniform structures and priorities for the Operational Programs, which had to be established by each Euregion in order to conduct the INTERREG in a program structure (cf. MWMT 1993: 9, cf. Miosga 1999: 69).

Following the pilot phase, the first INTERREG program period (1991-1993) got underway and European financial aid for cross-border cooperation was structured into programs. Conducting programs meant following the rules of Operational Programs. Hence, the overall program of cross-border activities was coordinated according to the first Operational Programs, which were based on the Guidelines of the European Commission (cf. Regio Rijn-Waal 1990; cf. CEC 1990 No 90/c 215/04: 7). Dealing with a program structure rather than having to get every single project approved by the Commission itself meant a smaller workload for the European Commission (cf. interview 8 2009). At this time, some other European border regions were quite highly developed in their cross-border activities, but the Dutch-German (and Dutch-Belgian border) areas were exceptional in respect to the procedure that they followed to establish their first Operational Programs: in other European border regions – even in those border regions which were considered to have an advanced level of cross-border development – such as the French-Belgian, French-Italian or French-Spanish border areas – the Operational Programs were mainly developed by national authorities, which meant that the border regions were only occasionally involved and the impact of the regional level was rather limited. The first Operational Programs along the Dutch-German border, by contrast, were developed by the regions themselves and were based on partnerships with national authorities, which in turn bundled the programs and communicated them to the

European Commission (cf. Broos and Gabbe 1992: 6 in Miosga 1999: 79; cf. interview 11 2009, cf. interview 27 2009).

Allocating funding through a program structure implied that the final decision-making authority for individual cross-border projects was no longer solely in the hands of the European Commission. Under the INTERREG I program, decisions on whether cross-border projects were approved or not were taken by the 'Coordination Committee' (Dutch: '*Koördinatiegroep*'), which included representatives from the Commission and the Dutch national government, the German regional governments, and the Dutch Provinces; in the case of the ERW also the *Regierungspräsident* of Düsseldorf and the Region Rhine-Waal had a decisive seat (cf. Regio Rijn-Waal 1990: 23; 44).¹²⁰ Including the subregional and regional levels in the decision-making process was greatly encouraged from the beginning of INTERREG, in order to put the principle of 'partnership' into practice (cf. Miosga 1999: 67). However, the Dutch-German border regions can also be considered as an exception in respect to this decision-making procedure because of the strong element of regional and subregional participation from the beginning of INTERREG right up until the current funding period. In other internal European border areas, decisions on cross-border cooperation projects are often determined mainly by national authorities, while in this Dutch-German case study the Euregions themselves have always had a seat on the Steering Committees and the later Monitoring Committees (since INTERREG IIIA). As such, they have a decisive voice and the decisions on approval of cross-border cooperation-projects have had to be made unanimously. This has meant that the voices of the Euregions have been influential (cf. Regio Rijn-Waal 1990: 44; cf. Euregio Rhein-Waal 1994: 52; cf. JITS 2000: 100; JITS 2007 (a): 96f; cf. Miosga 1999: 79).¹²¹ This is illustrated by an example from the later Operational Program of the three Dutch-German Euregions that work together in the INTERREG IIIA period (2000-2006), which states specifically:

¹²⁰ However, during the review of the minutes of the *Koördinatiegroep*-meetings of INTERREG I of the Regio Rijn-Waal at the archive of the Euregion Rhine-Waal, it is remarkable that there was no representative of the European Communities (Dutch *EG*) present at the first two meetings. Not only were these representatives absent, it seemed that they were not invited at all, because they were not listed (own archive-studies at the Euregio Rhine-Waal 2012).

¹²¹ The other exceptions in this respect are the Dutch-Belgian border regions (cf. Miosga 1999: 79).

“This [the Steering Committee] represents the partnership between national, regional and local actors within the Euregio. [...] The decisions of the Steering Committee will be made unanimously” (JITS 2000: 100).¹²²

The responsibilities of the ‘Coordination Committee’ of the INTERREG I program included approving individual applications for cross-border projects, as well as other issues concerned with the INTERREG program such as the co-financing of the projects (cf. Regio Rijn-Waal 1990: 23; 44).¹²³

This development of involving several decision-making parties alongside the European Commission represented a ‘shift of authority; from the European Commission towards the border regions and towards the national, regional and subregional levels of governance’ in case of the Dutch-German border. However, although the Commission wished to delegate authority from the central level of EU policy-making to the subnational level of the cross-border regions and the national level, it also still wanted to maintain its influence over cross-border policy decisions within INTERREG I. This might have been why the Commission officially retained a decisive seat on this first ‘Coordination Committee’, in case of the ERW for example.

With the start of INTERREG’s second program period, INTERREG II (1994-1999), the decision-making process changed, as the example of the ERW shows.¹²⁴ The European Commission stopped participating in decision-making concerning individual projects and was thus no longer an active member of the Euregional Steering Committees that replaced the old Coordination Committee (ERW 1994: 22, 52). The other participants,

¹²² Original citation: “Dieser [Der Lenkungsausschuss] repräsentiert die nationale/regionale/lokale Partnerschaft innerhalb der Euregio. [...] Die Beschlüsse der Lenkungsausschüsse erfolgen einstimmig” (JITS 2000: 100).

¹²³ The INTERREG I program was evaluated at the end of its first period by the European Court of Auditors (ECA). One of the main conclusions of this evaluation was that the projects lacked a cross-border character and that there was an absence of cross-border cooperation, “inter alia, in the management of the Community Initiative programs (CIPs)” (ECA 2004: 6; cf. interview 24 2010, cf. interview 30 2009).

¹²⁴ In the period of 1994-1999, a total of 75 INTERREG II programs throughout Europe were supported under the three strands: Strand A for cross-border cooperation, strand B for completing energy networks and strand C for cooperation in regional and spatial planning (see also *illustration 7* for an overview of the programs). Regarding Strand A, 59 programs were implemented along internal and external European borders with a length of more than 15,000 km. In accordance with the Third Cohesion Report, the eligible program areas covered around 36% of the total EU territory and around 27% of the total EU population (CEC 2004 (a): 156; cf. *illustration 5*).

including the representatives of national and regional governments, kept their seats on the Steering Committee. From this time onwards, the European Commission began to focus on the overall structure of the program and on monitoring and controlling the implementation process, rather than involving itself in individual projects. In order to monitor the overall progress of the program, representatives from the European Commission sat in on the Monitoring Committee meetings for the INTERREG II programs. This 'shift' in decision-making authority meant that responsibility for decisions within the programs came to reside at the national, regional and subregional levels, which from that point on decided together on specific projects.¹²⁵ Right up until the current INTERREG program, decisions on projects have continued to be made with the involvement of the same three levels of governance – the subregional, regional and national levels (cf. European Commission and AEBR 2000: 45).¹²⁶

It was not only the program structure that changed from INTERREG I to INTERREG II, but also the requirements set for the projects. For example, within the Operational Program (OP) for INTERREG I set for the ERW, six criteria were mentioned but defined rather vaguely. The OP of INTERREG II for the ERW lists eight much more specific criteria, dealing with – for example – the cofinancing issue, as well as the budgetary question. The criteria for the former INTERREG I program were, in comparison, much more vaguely formulated (see Annex 1).¹²⁷ Besides that, the application forms for project applicants were more extensive under INTERREG II than they had been under INTERREG I and the time needed for projects to be approved also became much longer. This later had negative consequences for the end-beneficiaries, because they had to wait longer before starting their project (cf. interview 19 2012).

The first two INTERREG periods were conducted in separate regionally specific, decentralized and small-scale programs along the Dutch-German border and not

¹²⁵ The several levels of governance working together in the Dutch-German INTERREG system are described, defined and explained in the chapter of the theoretical framework (section 3.1.1) of this dissertation.

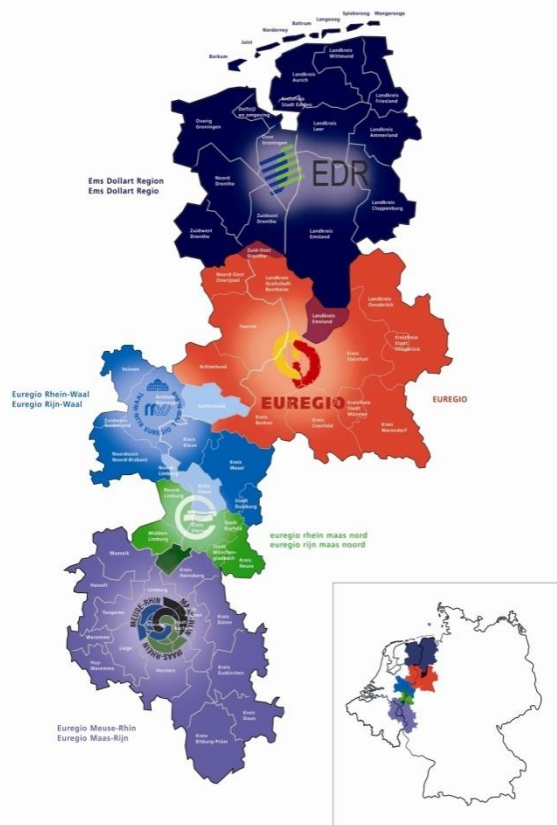
¹²⁶ The Commission wanted to leave it to the decentralized public authorities to choose the areas in which they wished to cooperate in order to improve their development policies and instruments. This allowed Steering Committees to select the projects best-suited to the regional development and cohesion objectives (ECA 2004: 30).

¹²⁷ For the concrete list of criteria of INTERREG I and INTERREG IIA which are given in the two OPs of the ERW, please see Annex 1 with the title 'Project-criteria in INTERREG I and INTERREG IIA for the ERW'.

through a common program as had been indirectly demanded by the guidelines for INTERREG I, which stated: “For border areas within the Community joint mechanisms should be envisaged” (CEC 1990 No 90/C 215/04: 7). However, the Dutch-German Euregions did not act completely separately from each other because they worked on the basis of common program structures that were decided on 9 December 1991 with two documents. Firstly there was the ‘*Vereinbarung zum niederländisch-nordrheinwestfälischen-niedersächsischen-EG-Programm INTERREG*’ and secondly the ‘*Übereinkunft der Partner mit der INVESTITIONSBANK NRW*’. The principles of the INTERREG program until the current fourth funding period were fixed within the framework of this first *Vereinbarung*. For example, this states that financial responsibility resides with the ‘*Bundesland*’ North Rhine-Westphalia and that the INTERREG partners must decide on projects in the Steering Committees (cf. Miosga 1999: 70f).

As can be seen in the map below (*map 3*), before the start of INTERREG III, all Dutch-German Euregions worked in separate INTERREG programs with common basic rules, (with exception of the Dutch-German-Belgian Euregion, the Euregio Maas-Rhine did not participate in the Dutch-German *Vereinbarung* and *Übereinkunft* of 09.12.1990 (cf. interview 25 2009).

Map 3: Situation of pilot phase, INTERREG I and INTERREG II (1989 until the end of 1999)



Source: JITS 2009.

In 2000, when the INTERREG III program started, a reorganization took place among the program areas, so that the original five Dutch-German-(Belgian) cross-border organizations that had previously worked in separate INTERREG program areas merged to form three separate programs.¹²⁸

This meant that three of the four Dutch-German Euregions joined together to form one program. Hence, in addition to the Ems Dollart Region in the north and the Euregio Maas-Rhine in the south, one joint INTERREG program was formed consisting of the EUREGIO, Euregio Rhine-Waal and euregio rhine-maas-north, as can be seen in *map 4*.

¹²⁸ See also *illustration 6* (section 6.3), wherein the development of the strands of INTERREG are shown, next to the number of programs and that within the INTERREG IIIA period there existed 64 programs, while in the first ETC period the number of programs reduced to 52, which is the consequence of merging program areas.

Map 4: Joining of INTERREG IIIA programs working together (2000-2006)



Source: JITS 2009.

Since then, a newly established Joint Technical INTERREG Secretariat (JTIS) has connected these three cross-border Euregions which implemented INTERREG through one joint Community Initiative Program (CIP). The JTIS was and continues to be the central pivot between the border regions on the one hand and the European Commission and the national actors involved on the other.¹²⁹ At the start of the INTERREG III period, the European Commission had no decisive seat on the common Monitoring Committee as it had done previously under INTERREG II (cf. JTIS 2004 (a); cf. JTIS 2008). All other program partners retained their decisive seats on the Monitoring Committee, but the European Commission withdrew as a decisive member of the

¹²⁹ Since the start of the joined INTERREG IIIA program of the three Dutch-German Euregions the JITS is responsible for all questions related to the conducting of the program. The JITS supports the Monitoring Committee on program level and also the Management Authority with respect to the management of the program. Furthermore the JITS is responsible for the communication towards the European Commission and it supplies INTERREG participants with seminars related to e.g. applications for funding or EU-regulations. In addition to this, the JITS organizes meetings between the program managers of the Euregions on regular basis and is responsible for all PR activities at the program level (JITS 2007 (a): 50)

Committee at the start of INTERREG III (in 2000) and representatives of the Commission sit only as advisory members (cf. Euregio Rhein-Waal 1994: 52; cf. JITS 2000: 98).¹³⁰

This merger of program areas was based on discussions between the European Commission and the Committee of the Regions (CoR) and was published in the “Opinion of the Committee of the Regions on: - the ‘Communication from the Commission to the Member States laying down guidelines for the Community Initiative for rural development (Leader+)’ - the ‘Communication from the Commission to the Member States establishing the guidelines for Community Initiative Programs (CIPs) for which the Member States are invited to submit proposals for support under the Equal initiative’, and - the ‘Communication from the Commission to the Member States laying down guidelines for a Community initiative concerning trans-European cooperation intended to encourage harmonious and balanced development of the European territory (Interreg)’” (CEC 2000 (a) No 2000/C 156/04). In this document, it was explained that the Commission proposed framing “one program only per national border, with specific sub-programs for smaller cross-border cooperation zones” (CEC 2000 (a) No 2000/C 156/04: 21). The view of the CoR was that, particularly the INTERREG IIIA regions, should “proceed on the basis of their own political priorities, which cannot be encapsulated in one central program per national border” (CEC 2000 (a) No 2000/C 156/04: 21). Additionally, the CoR argued that the formation of such large program areas would run counter to the bottom-up principle. In fact, the CoR wanted to retain all cross-border cooperation programs from INTERREG II in the INTERREG IIIA program period (CEC 2000 (a) No 2000/C 156/04: 21). The final decisions on program areas were laid down in the guidelines for the INTERREG III program and formulated as follows:

“In general, each programme will be drawn up for a border with subprogrammes for each cross-border region where appropriate. In duly justified cases (e.g. very long borders, points where several borders converge, well developed existing cooperation structures), the programmes will be drawn up for one cross-border

¹³⁰ With the start of INTERREG IIIA there exist three subprograms, but the INTERREG partners participated (and still participate) within common Monitoring Committee (German: *Begleitausschuss*, Dutch *Comité van Toezicht*).

region and may cover one or more borders” (CEC 2000 (b) No 2000/C 143/08, point 22: 10).

This meant that cooperation between the three of the four Dutch-German Euregions became reality in the INTERREG IIIA program period. All three Euregions fell partially within North Rhine-Westphalia and thus the Managing Authority was given to that particular *Bundesland*.^{131 132}

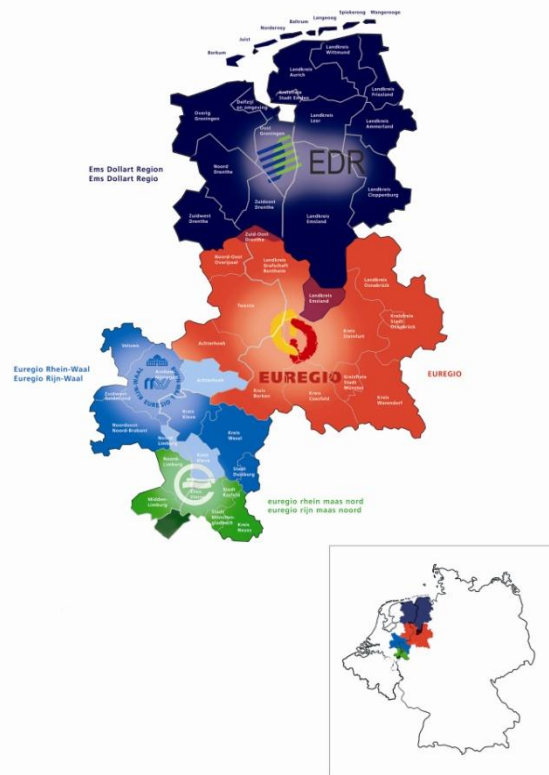
The reason for merging program areas was, according to some of my interviewees, to streamline the coordination of programs on the part of the European Commission. Additionally, due to successive European enlargements, there were ever more program areas, a trend which forced the Commission had to promote mergers so that it would still have the capacity to supervise all the (smaller) programs (cf. interview 6 2010; cf. interview 19 2012; cf. interview 34 2009).

Under the current INTERREG IV program/ETC, a second series of mergers took place. On the Dutch-German border, the Ems Dollart Region joined the program of the three neighboring Euregions, so that now only two program areas remain along the Dutch-German-(Belgian) border (see map 5). The Dutch-German program area now includes almost the whole Dutch-German border region and covers approximately 4/5 of the 577-kilometre border. The total area of the whole program area is 46,737 km², with 53% of the area in the Netherlands and 45% in Germany. The program area covers parts of the German *Bundesländer* of Lower Saxony and North Rhine-Westphalia, as well as parts of the Dutch *Provincies* of Friesland, Groningen, Drenthe, Overijssel, Gelderland, Noord-Brabant and Limburg (JITS 2007 (a): 13).

¹³¹ Part of the area covered by the EUREGIO (Gronau) lays in Lower Saxony. The EDR covers the area of the Dutch-German border which is in Lower Saxony and had next to the Dutch-German-Belgian Euregion of the EMR a statutes aparte in the INTERREG IIIA program period.

¹³² On 12th February 2002 the INTERREG program partners of the three jointed Euregions signed an agreement wherein the *Bundesland* North Rhine-Westphalia in representative of the two other involved national partners (the Netherlands and the *Bundesland* Lower Saxony) got the responsibility as a Managing Authority conform Art. 9 of the EC framework regulation (cf. Council 1999 No 1260/1999 Art. 9 (n); JTIS 2000: 4).

Map 5: The INTERREG/ETC program (2007-2013) along the Dutch-German border



Source: JITS 2009.

These mergers meant greater involvement by the German federal states, in this case study the *Bundesland* of North Rhine-Westphalia. Since INTERREG IIIA, the *Ministerium für Wirtschaft und Mittelstand, Energie und Verkehr* of the state of North Rhine-Westphalia has had the position of Managing Authority in the joint program of the four Dutch-German Euregions.¹³³ There is one Managing Authority for every program and it has several tasks which are specified by in regulations from the European Commission (cf. Council 2006 No 1083/2006, Art. 60: 54f; Council 2006 No 1828/2006 Art. 13). In accordance with the general regulation on implementing Structural Funds 1999, the definition of a Managing Authority “[...] means any public or private authority or body at

¹³³ However, since the beginning of INTERREG, the *Bundesland* of North Rhine-Westphalia had been responsible for the payments within the Dutch-German INTERREG programs through the framework documents of the ‘*Vereinbarung*’ and the ‘*Übereinkunft*’ dating from 1991 (mentioned above) (cf. Miosga 1999: 70; Vereinbarung 1991).

national, regional or local level designated by the Member State, or the Member State when it is itself carrying out this function [...]” (Council 1999 No 1260/1999 Art. 9 (n)). The responsibilities of the Managing Authority include reporting annually to the European Commission on the progress of the program, as well as giving information to the beneficiaries about the requirements for financing and carrying out the ‘on-the-spot checks’ (cf. JTIS 2010: 1; cf. Council 2006 No 1828/2006 Art. 13).¹³⁴

However, the decentralized structure of the Euregions was retained as much as possible by creating subprograms which were conducted in the separate Euregions themselves. Each Euregion conducted its own decision-making procedure on projects on their separate Steering Committees as long as these involved projects that did not belong to the category of ‘major projects’ (for an explanation of the term ‘major project’ see section 6.5.3).¹³⁵ This subprogram structure is recognized by the European Commission and is allowed as long as the results are clustered and communication for the overall program is conducted via one channel, which is usually the JITS (cf. interview 6 2010).

6.5 INTERREG and increasing administration

Before starting this section on the elaboration of the several program periods and the changes of the INTERREG program, a few remarks have to be made. The general reforms of the Structural Funds, especially in respect to regional or cohesion policy, have been explained in chapter 5 and the changes in the INTERREG program are direct consequences of those more general reforms. The guidelines from the European level of governance for the implementation of INTERREG, at least until 2006, were altered in compliance with the general regulations. Those guidelines were transferred into the OPs and CIPs of the border regions themselves because these documents were drawn up in accordance with the regulations for INTERREG. This section will not look at all changes in the overall Structural Funds, but will concentrate on the causes of the increasing administration and complexity, especially for end-users and end-beneficiaries in the

¹³⁴ The role of the Managing Authority in the program will be elaborated in chapter 7.

¹³⁵ Representatives of the JITS are participating with a non-decisive voice on the Steering Committee meetings of the several programs (interview 18 2009).

border region.¹³⁶ This section seeks to investigate the specific changes in the administrative burden for project partners in the application process, the approval procedure and the administrative burden of conducting INTERREG projects.

Within the pilot phase of INTERREG in the years 1989-90, (see section 6.4), there were basically two criteria that the projects had to fulfill. Firstly, there had to be a cross-border interest and secondly, projects had to include efforts to improve the socio-economic structure of the border area. During this pilot phase, in the case of the ERW, the Euregion itself was project lead partner for two of the five projects. The projects had a duration of between one and three years.¹³⁷ The decision procedure for the approval of the projects was quite simple at that time: project proposals were discussed on the board of the ERW and in the end the Euregion Council made a definitive decision on which projects would proceed (cf. ERW 1993: 1). The budget needed to realize those first projects was then requested directly for the five projects in a letter from the Euregion towards the European Commission, as explained before. A copy of that letter was also sent, for information purposes, to the *Bundeswirtschaftsministerium* (Bonn), the *Ministerie van Economische Zaken Directoraat-general voor Industrie en Regionaal Beleid* (The Hague), the *Ministerium für Wirtschaft, Mittelstand und Technologie des Landes Nordrhein-Westfalen* (Düsseldorf), the *Regierungspräsident Düsseldorf* and the *Provinciaal Bestuur van Gelderland* (Arnhem) (cf. Regio Rhein-Waal 1989). Because this pilot phase was not a program, there was no separate Operational Program document.

Regarding the final controls on these first projects, the only procedure stipulated was that “the final expenditure for the projects was checked and approved by the relevant German and/or Dutch institutions for accounting controls” (ERW 1993: 1).¹³⁸

Comparing the five final invoices for this pilot phase, it is obvious that there was no standardized form to use when categorizing the various types of costs, as it there was

¹³⁶ The changes will be explained on the example of the Euregion Rhine-Waal (ERW). Until the INTERREG II period started (1994), the Euregion Rhine-Waal was called *regio rhein/rijn-waal*. This dissertation refer to the ERW, also in times, when it was called *regio rhein/rijn-waal*.

¹³⁷ For some projects an extension had to be requested towards the European Commission (ERW 1993: 1).

¹³⁸ Original citation: “die Endabrechnung der Projekte wurde von den jeweiligen zuständigen deutschen und/oder niederländischen Rechnungsprüfungsinstanzen geprüft und genehmigt” (ERW 1993: 1).

later on in INTERREG. At that time, every project simply summed up all their costs (cf. ERW 1993: Annexes I-V).

In sum, the administrative burden for project applicants and partners was not high during the pilot scheme, but working in a cross-border cooperation structure also meant at that time that laws and regulations from both states had to be coordinated and therefore some agreements between the partners had to be made. Additionally, until 2002 cross-border cooperation had to deal with two different currencies, which was also a kind of implementation burden.

Since the introduction of INTERREG, successive EU enlargements have taken place which have meant that the number of internal borders has grown and institutional and socio-economic differences have also proliferated (cf. Dühr, Colomb and Nadin 2010: 234). Very generally, the enlargements have made territorial cooperation more and more an instrument with which to overcome those differences. As Dühr, Colomb and Nadin (2010: 234) stated:

“The objectives and scope of trans-boundary cooperation programs have broadened over time, and much of the understanding about the role of territorial cooperation and how best to do it has developed in a progress of “learning by doing”.

This ‘learning-by-doing’ approach could explain the increasing number of chapters and increasingly detailed prescriptions in the INTERREG guidelines, as Community Initiative for the first three periods of funding (1990-2006) that consequently reflected the number of regularities in the OPs/CIPs. Particularly after the reform of the Structural Funds in 1999 for the period of 2000-2006, the guidelines for INTERREG IIIA became significantly longer than for INTERREG I and INTERREG II (the reforms made to the Structural Funds of 1994 and 1999 are elaborated in chapter 5).

Establishing Operational Programs and submitting them to the European Commission was, from the beginning of INTERREG in a program structure, the basic mechanism of funding. The Operational Programs (OPs) had to be submitted by the member states and these documents had to define the common structures and mechanisms by which

the cross-border cooperation program was to be implemented. This basic principle of establishing OPs for border regions was explained briefly in the guidelines of 1990 and in slightly more detail in the guidelines of 1994, where for example a time limit was specified for submitting OPs. However, the second set of guidelines was quite similar to the first one, with additional information given for proposals on cross-border cooperation relating to external borders and information on the strand concerning the completion of energy networks (CEC 1990 No 90/C 215/04, section V; CEC 1994 No 94/C 180/13, section IV). The two additions in the second set of guidelines from 1994 can be explained by the change in the INTERREG structure from an initiative that solely promoted cross-border cooperation towards an instrument with a second strand (INTERREG IIB) for energy networks (see *illustration 7*) (cf. Dühr, Colomb and Nadin 2010: 233-235).¹³⁹ In comparison with the first and second shorter sets of guidelines, the third guidelines from the year 2000 were more detailed and provided more detailed regulations on the “Preparation, presentation and approval of interventions” (section V). This was on the one hand a consequence of the fact that INTERREG now covered the strands A, B and C (as can be seen in *illustration 7*) and on the other hand, because procedures on the content of OPs and the approval of “Community Initiative Programs” (CIPs) were described in greater detail, including evaluations, program planning and common strategy (cf. CEC 2000 (b) No 2000/C 143/08 title V, point 25). Comparing the Dutch-German OP documents – which had been written in accordance with the guidelines – for the funding periods of INTERREG I and II with the CIP of INTERREG IIIA, the latter went into much more detail and were longer (cf. Regio Rijn-Waal 1990; euregio rijn-maas-noord 1994; ERW 1994; JTIS 2000). This was also a consequence of the general reforms of the European Structural Funds, in which we can see that the changes between the periods 1990-1993 and 1994-1999 were minor in comparison with the shift that took place in 2000-2006 (see also section 5.4 and 6.5.1).

Regarding the first three sets of INTERREG guidelines dating from 1990, 1994 and 2000, it is significant that all guidelines started with a review of past funding. The first guidelines of 1990 as well as the regulations of 1994 both stated that “the previous experience of efforts to promote cooperation between border areas in the Community”

¹³⁹ From 1997 until 1999 the INTERREG IIC-initiative focused on transnational cooperation and spatial planning, next to the management of water resources (Dühr, Colomb and Nadin 2010: 235).

indicated that “the setting up of shared institutional and administrative structures to sustain and promote cooperation” had occurred (cf. CEC 1990 No 90/C 215/04; point 4 (c); CEC 1994 No 94/C 180/13, point 4 (c)). The guidelines of 2000 also started with a review which included more specific details of the funding period 1994-1999. In respect to establishing common institutional structures, it says specifically that:

“[...] experience shows that significant steps have been made towards joint cross-border programming and programme management in many cases. However, the kind of strong cooperation that takes place, for example in the ‘Euroregions’ is still the exception rather than the rule” (CEC 2000 (b) No 2000/C 143/08, point 5).

The steps to establish common institutional structures that had been taken as part of cross-border cooperation until 2000 may be regarded as the consequence of the sections of the first two guidelines that emphasized the importance of building common structures in border areas, stating that the Commission would prioritize proposals “which are made in cooperation with regional and local authorities in border areas and, in internal border areas, to those which include the establishment or development of shared institutional or administrative structures [...]” (CEC 1990 No 90/C 215/04, point 6; CEC 1994 No 94/C 180/13, point 6).

6.5.1 From INTERREG I to INTERREG IV (ETC)

Transferring the INTERREG guidelines towards the border regions and starting in the first period of funding (1990-1993) when INTERREG was implemented via a program structure for the first time, common rules were established that were applicable to all INTERREG programs (CEC 1990 No 90/C 215/04). The common regulations of the Guidelines were specified for the specific border region in the first OP (e.g. Regio Rijn-Waal 1990: 23). The processes of setting up projects, approval and final monitoring were more streamlined than in the pilot phase, through the application of a number of criteria that projects had to fulfill and that were also indirectly prescribed in the first regulations

on INTERREG programs (CEC 1990 No 90/C 215/04, see Annex 1).¹⁴⁰ Additionally, the seven project priorities of the INTERREG I program – following the example of the ERW – set out the basis for the project priorities of subsequent programs (interview 19 2012). These priorities were called: 1. Building up networks, information flows and communication; 2. Traffic, transport and infrastructure; 3. Leisure and tourism; 4. Education and work; 5. Environment; 6. Innovation and technology transfer; 7. Research and project management (Regio Rijn-Waal 1990: 22).

Overall, implementing INTERREG through a program structure and allocating a budget for several years meant a change in the activity of cross-border organizations. According to the interviewees, the projects were controlled in terms of their content and finances, but this was not mentioned or explained in the first OP in the example of the ERW (cf. interview 19 2012; cf. Regio Rijn-Waal 1990). It is remarkable, especially compared with the later OPs, that the projects, that were to be carried out in a relatively short period of funding (1991-1993) were already named, described and explained by the time the first Operational Program was approved, because they are listed in that document (Regio Rijn-Waal 1990).

The INTERREG II program period (1994-1999) was longer than INTERREG I (1990-1993), had a larger budget and thus longer projects could be realized (interview 19 2012). The reform that took place before the INTERREG II programs was not as significant as the reform of 1999 for the INTERREG IIIA program, when the OPs became Community Initiative Programs (CIPs) and the program areas along the border were required to work together. Since the start of INTERREG IIIA, one CIP should generally be submitted for each border and ‘subprograms’ were drawn up for each border region (CEC 2000 (b) No 2000/C 143/08: point 22).¹⁴¹ In the INTERREG IIIA guidelines for the

¹⁴⁰ Within the first INTERREG-guideline six general criteria for INTERREG programs were listed (see Annex 1). The first Operational Program of the ERW translated the 6 criteria partly into the situation of that particular border-region and adjusted the own goals, which were elaborated in the earlier document of the *‘Grensoverschrijdende Ontwikkelings- en Handlingsconcept’*.

¹⁴¹ As explained above, at the Dutch-German border there existed in INTERREG IIIA two programs next to the Dutch-German-Belgian Euregion Maas-Rhine. Since 2007 the four Dutch-German Euregions joined together to one common program. The Euregion Maas-Rhine (EMR) remained separate, which could have been the result of consequent negotiations between the participating INTERREG-partners before the third and fourth period of funding started (interview 25 2009). The main argumentation for the separate status of the EMR is written down in the guidelines by making exceptions for border areas “where several border converge” (CEC 2000 (b) No 2000/C 143/08: point 22).

content of the programs were given in detail, in accordance with the general Council regulation 1999 No 1260/1999 Art 19 (3), which explained the overall structure, content and aims of the programs. In fact, the guidelines for INTERREG III partly repeated the general regulation (point 25) and adjusted it from general regulations for Structural Funds towards the CI INTERREG concerning CIP issues, such as how to organize and structure the CIP with its several institutions and how to establish one Joint Technical INTERREG Secretariat (JITS) for the operational management of the CIP (cf. CEC 2000 (b) No 2000/C 143/08: point 25; cf. Council 1999 No 1260/1999 Art. 19). Furthermore, the guidelines for INTERREG III included a section on coordination between INTERREG and other CIPs (title VII), a detailed section on “Financing” (title VIII) and “Timing” (IX), as well as a detailed Annex I that listed the eligible areas of INTERREG A and an Annex II which gave an indicative list of priority topics and eligible measures (cf. CEC 2000 (b) No 2000/C 143/08: title VII; VIII; IX; Annex I; Annex 2).

The merging of program areas under INTERREG III increased the administrative burden significantly in the border regions, because ‘communication lines’ became longer and the joint program was still divided into subprograms, which meant that every Euregion had to manage its own program and communicate it to a common Monitoring Committee and the newly established JITS. The JITS was, among others, in turn, in contact with all INTERREG program partners and with the Managing Authority of the *Bundesland* of North Rhine-Westphalia and the European Commission. The joint Monitoring Committee and the JITS – which prepares the meetings of the Monitoring Committee – was responsible for constantly adjusting the three subprograms. The decisions of the joint Monitoring Committee concerning the three subprograms were made in respect to the joint mid-term evaluation, budgetary issues, such as budget transfers from one priority to another (sometimes with an official application made to the Commission) or from one subprogram to another (cf. interview 19 2012).

Unlike during previous periods of funding, for the 2007-2013 period there are no extra guidelines that relate solely to the implementation of the new objective 3 of ETC, but just one set of rules for all the objectives and which relates to all the funds involved (cf. Council 2006 No 1083/2006). This is because, as part of the trend towards simplification, the EU tried to decrease the amount of regulations and create similar structures for all subsidies in order to make European funding more effective, transparent, easier to

manage and less costly. Hence the changes made at the start of the program period 2007-2013 were considered “important steps [...] to streamline legislation and simplify rules for managing cohesion policy” (CEC 2007 (a): 10). The Commission introduced one single set of regulations for the 2007-2013 programming period for the ERDF, the ESF and the Cohesion Fund (CF), and this replaced the previous ten sets of regulations in place for the 2000-2006 programming period (European Commission DG Regional Policy, presentation June 2012 (b), Brussels: sheet 2). To sum up, under the current period 2007-2013, the following regulations are the legal basis for the European cross-border cooperation within INTERREG:

- General Structural Funds regulation which fixes the main objectives (Council 2006 No 1083/2006)
- ERDF regulation including a chapter on ETC with detailed requirements (Council 2006 No 1080/2006)
- Implementing Regulation (CEC 2006 No 1828/2006)¹⁴²
- Regulation for a European Grouping of Territorial Co-operation, i.e. EGTC (Council 2006 No 1082/2006) (European Commission, Regional Policy, presentation 2012 (b): 7).¹⁴³

We will now make a brief comparison between the Implementing Regulation 2007-2013 and the previous guidelines for INTERREG III (cf. CEC 2006 No 1828/2006; CEC 2000 (b) No 2000/C 143/08).

First of all, and as a logical consequence of the changes made to the general structure of the European financial instruments, the implementing regulations for the period 2007-2013 deregulated the former Regulation (1999) No 1260/1999, while the guidelines for INTERREG III were based on those regulations. The basis for the regulations for the

¹⁴² Within this dissertation the version of 15.02.2007 of the CEC 2006 No 1828/2006 regulation is used which is a ‘corrigendum’ of the regulation from 08.12.2006, but the dissertation refers to CEC 2006 No 1828/2006.

¹⁴³ Hence in the proposal for the next program period, starting from 2014 onwards, it is foreseen, that only one general set of regulations with common provisions for cohesion policy, the rural development policy and the maritime and fisheries policies and common provisions for cohesion policy only (ERDF, ESF, CF), as well as fund-specific regulations for the ERDF, ESF, CF, ETC and next to the EGTC regulation will exist (European Commission, DG Regional Policy 2012 (b), presentation: 2).

funding period 2007-2013 were the general Structural Funds regulations which specify the main objectives (cf. Council 2006 No 1083/2006; cf. CEC 2006 No 1828/2006).

While the guidelines for INTERREG III began directly with the “general objectives and principles” for the INTERREG III initiative, the implementation guidelines for the 2007-2013 period have a lengthy preamble that looks back on the success and failures of past funding periods and summarizes the areas that need improvement in the funding period 2007-2013. This preamble focuses mainly on very general issues for all Structural Funds such as improving the communication and PR management of the programs, enhancing transparency, identifying and explaining steps for better monitoring and controlling and for the (digital) reporting of programs to the European Commission (Council 2006 No 1083/2006, points (1)-(30)). The points made in the preamble are then developed extensively in the regulations. The variety of the programs, the aims, goals and content of the several funding instruments and the beneficiaries are not specified or explained, as the INTERREG III guidelines did by for example explaining the system of INTERREG IIIA, B and C (cf. CEC 2000 (b) No 2000/C 143/08, II-IV). This means that the new implementation regulations must be used for all funds and simplify work at the supranational and national levels, because at those two levels, several (national) or all (supranational) funding programs require supervision and assistance. By unifying and enhancing the rules and regulations for all Structural Funds, it may become easier to compare procedures, results and achieved targets on those two levels of governance.

The question remains, however, of whether this standardization of the rules for implementation relieves the burden on stakeholders and participants at the subregional and regional levels, because all possible eventualities and exceptions are included in the rules, and there are more regulations relating to the programs. As such, we can hardly speak of any ‘grey area’, because the increased regulations have made the programs more rigid and there was less leeway for participants to deal with, for example, specific (legal) problems which could occur and are frequently not foreseen when participants from two countries work together. To return to cooperation at the Dutch-German border, where at least two natural partners from two countries were already acting together in joint projects and programs – in accordance with European, Dutch and German rules and laws – the scope for intervention was increasingly constricted, due to the threefold stipulations and there was hardly any leeway for addressing unexpected problems or obstacles in the implementation process.

6.5.2 Day-to-day complexity under INTERREG IV / ETC

With the introduction of INTERREG IV / ETC (2007-2013) a structural change in comparison with the previous INTERREG III program took place when it comes to the day-to-day work of the INTERREG program and project managers, and thus also for the end- beneficiaries or end-users. The change does not stem from the fact that INTERREG became a European objective in its own right – in the framework of the ETC – rather than a Community Initiative. Instead, and particularly for this Dutch-German case study, the change stems especially from the fact that since the start of the current funding period there have been no official subprograms based on the Euregions (although this does not mean that several Euregions do not have separate (regional) projects that are approved through separate regional Steering Committees). The European Commission increasingly stimulated regions to let several program-areas join together and to create larger program-areas (cf. CEC 2000 (b) No 2000/C 143/08). The main reason for this would be that due to the enlarged European territory the number of new program-areas increased also. Since the organizational capacities of European Commission remained limited, desk officers would deal with more larger program-areas instead of many smaller ones. Due to this development the four Dutch-German Euregions were obliged to work together during the 2007-2013 period (rather than three in 2000-2006). Besides that, there has been the introduction of ‘major projects’. Another change has been in the workflow of the programs, which have been streamlined by introducing digital communication between the levels of.¹⁴⁴ This section will mainly focus on the specific consequences of these changes for end-users.

In general, for the (sub)regional projects in the border region, the fact that INTERREG became a separate European objective has not had any direct implications. The various strands (A, B and C) of INTERREG still exist and all three strands are helping to work on European integration. Strand A for cross-border cooperation still has the main share of budget. However, under the INTERREG strand A, there has been a shift of the budget towards innovative, technological and economic projects – in accordance with the Lisbon Agenda – compared with the INTERREG IIIA period. In INTERREG IVA 58% of the total budget had to be spend on priority 1 including ‘commerce, technology and innovation’

¹⁴⁴ ‘Major projects’ and the digital workflow in INTERREG IV will be discussed and explained intensively in Sections 6.5.3; 6.7.1 and 6.7.2).

while priorities 2 and 3 (relating to 'sustainable regional development' and 'society and integration' respectively) each received just 18% of the share, which was much lower than during the INTERREG IIIA period (cf. JITS 2000: 84-94; JITS 2007: 80). The direct consequence of this was that many projects are no longer oriented directly to the inhabitants of the border regions, but indirectly for the inhabitants by stimulating technological innovations or the subregional economy. The projects which are conducted under priority 1 are often much higher in its total budget than most of the projects in priority 2 and 3 (cf. JITS 2012, web page, access 13.01.2013).

In its 'on-going evaluation', the first question of the JITS in 2011 was whether conducting projects in the Dutch-German INTERREG program would lead to a disproportionate administrative burden.¹⁴⁵ Out of 140 respondents, 100 answered 'yes' to this question. The difficulties that the respondents described included the complex cost plan (24 respondents), the description of the functions of the staff employed the projects (17 respondents), the cofinancing declaration (15 respondents) and others (JITS 2011 (b): 1; 4). In the following section, some aspects of the increasing administrative burden associated with INTERREG IV projects in comparison with INTERREG III will be explained.

Comparing the contact of the Euregion ERW with the (potential) INTERREG/ETC project participants and project partners – in this research also called the 'end-users' or 'end-beneficiaries' – one of the project coordinators explained the day-to-day changes and continuities from INTERREG III to INTERREG IV, saying that the advisory meetings between (potential) project participants had basically remained the same under INTERREG IV, but that the focus had shifted more to the cross-border element and the regional relevance of the project, not only in its content but also from the technical (organizational and financial) point of view. It is important (more so than under INTERREG III) that the project is balanced between both sides of the border in all respects (e.g. technical, financial, organizational aspects). The interviewee also stated that generally under INTERREG III the rules were slightly more flexible than under INTERREG IV – for example in the procedure for the project applications (interview 16

¹⁴⁵ The on-going evaluation asked 355 persons who are/were responsible for the administration of INTERREG IVA projects to participate in an online survey of 23 questions in respect to the administration of INTERREG projects. 140 people participated, of whom 84 answered as a lead partner and the others were 'normal' project partners. Around 80% of the participants were part of regional projects and around 20% participated in 'major projects' (JITS 2011 (b): 1).

2012). From the results of the 'on-going evaluation' of 2011, 55% of respondents answered that the time required to submit a complete project application was (very) high, while just 7% of the respondents said that it was (very) low. The administrative burden under this procedure lay mainly in the details required for the application, especially the account for personal costs (JITS 2011(b): 2-3).

Since INTERREG IV, all project applications (and also the later 'application for reimbursements') take place via a digital monitoring system.¹⁴⁶ ¹⁴⁷ The digital system was meant to simplify procedures. However, according to the results of the 'on-going evaluation', some respondents consider the digital system as "confusing" and as "very difficult" and state that it takes a long period of adjustment to work with the program. According to some respondents, submitting a project application through this system has its difficulties as well as making 'applications for reimbursement' which is often considered (extremely) complex. For project applicants and project partners mainly in the socio-cultural section, this additional requirement in the form of a standardized digital system can sometimes be considered as an extra burden, as one project coordinator explained in an interview. However, the digital monitoring system does tend to simplify communication in the program as a whole in respect to the communication flow between the subregional, regional (Germany), national and European levels of governance. When it comes to the projects, it also streamlines communication between the project applicants and partners and the (regional) program management. For example, it clarifies which forms need to be filled in and what is missing so far to meet the requirements of a complete project application. For the project as well as for the program management, this digital system works perfectly and has huge advantages, because it provides an overview of the progress in the projects (including projects in the application phase) as well as the progress of the program as a whole (JITS 2011 (b): 3; 5; cf. interview 12 2012; cf. interview 1 2012).

The procedure for making a project application generally takes several months. The same was true under INTERREG III, but under INTERREG IV the burden has increased (cf. interview 33 2011). First an outline for the project has to be filled in (German

¹⁴⁶ The monitoring system for the Dutch-German program is called InterDB-SQL-System.

¹⁴⁷ The term 'application for reimbursements' stands for the German term *Mittelabruf* and the Dutch term *uitbetalingsaanvraag*.

'*Projektskizze*'); this is a simple form that only has to be submitted in one language (the final project application must be in Dutch as well as in German). The 'project outline form' aims to lower the barriers to submitting an INTERREG project application.¹⁴⁸ The final project application can only be completed in the digital monitoring system after the form for the project outline has been completed and discussed with the project coordinator. Then the potential project partner may proceed by completing the actual project application form together with the plan of costs (interview 16 2012; cf. JITS 2011 (c) point 4.2: 4).¹⁴⁹

In general, the form of the application has not changed much, but under INTERREG IV, a 'cooperation agreement' must be drawn up and signed, and this is a complex process for (potential) project partners, especially on larger projects (cf. JITS 2011(c) point 3.7: 4).¹⁵⁰ In fact, the 'cooperation agreement' is not a complicated form and is not generally much work to fill in, but larger projects with many project partners and participants consider this form to be an extra burden, because it is accompanied by the *Zusätzlichkeitserklärung*, a document that explains the additionality of the work that will be carried out as part of the INTERREG project (cf. Council 2006 No 1083/2006 Art. 15). The *Zusätzlichkeitserklärung* needs to be set up for all working hours and it ensures that the working hours of the participating organizations are solely reserved for the INTERREG projects and that the particular organizations have put solutions in place for these extra hours of work (interview 16 2012). The 'on-going evaluation' of 2011 confirms that indeed most of the respondents have difficulty with this form (cf. JITS 2011 (b): 3). This *Zusätzlichkeitserklärung* was also a difficulty under INTERREG III, but as stated previously, under INTERREG III there was rather more leeway (interview 16 2012; cf. interview 33 2011). This administrative burden was also detected in the 'on-going evaluation'. The results of this evaluation were discussed at one of the meetings of the Monitoring Committee in 2011, but the conclusion was that it would not be possible to scrap this form for staff members of public institutions in North Rhine-Westphalia and Lower Saxony. The complete abolition of the *Zusätzlichkeitserklärung* is not possible because of the *Landeshaushaltsrecht* and as such the Monitoring Committee decided

¹⁴⁸ The form of the *Projektskizze* is available as a download on the web page of the JITS and has not to be filled in via the digital monitoring system (cf. JITS 2012, web page, access 13.01.2013).

¹⁴⁹ With the term 'plan of costs' the German word *Kostenplan* is meant.

¹⁵⁰ With the term 'cooperation agreement' the German word *Kooperationsvereinbarung* is meant.

that the *Zusätzlichkeitserklärung* should only be filled in only by staff financed by public money (cf. JITS 2011 (a), point 5: 3).

Furthermore, the financial accounts of staff expenses for the projects – which had to be made in advance – has also increased in complexity under INTERREG IV, because during the current funding period, all staff costs have to be calculated with a *Personalkostenkalkulator* at the end of the year for the previous year, which means, that staff costs for 2012 will be re-calculated in 2013 on the basis of the actual salaries paid out and not just on the basis of the expansion which has been made in advance (cf. JITS 2009: 5; cf. JITS 2011(c) point 4.2.1: 5-6). In fact, the planning is re-calculated and differences between expansion and actual salaries paid will be integrated in the first ‘application for reimbursement’ of the new year and that means much more administration work for the project partner, for the Euregions and also for the Certifying Authority (cf. interview 16 2012).¹⁵¹ The on-going evaluation of the JITS also showed that more than 50% of the total eligible costs in the INTERREG IV program are staff costs and that many project lead partners consider the calculation of staff costs to be extremely complicated and complex (cf. JITS 2011 (a), point 4: 2).

The effort and time required during the projects, including several ‘applications for reimbursement’ which have to be made during the course of a project and which are accompanied by proof of the various costs incurred and payments made (staff, external services, material and overhead) and the submission of original or legally attested copies, are considered by most respondents of the ‘on-going evaluation’ and by the interviewees for this project as high or extremely high (cf. interview 14 and 15 2009; interview 33 2011). The respondents participating in the ‘on-going evaluation’ had to estimate in percentage terms the share of the total costs of the project which would go towards administration (only project lead partners were asked this question). The results show that the percentage for covering the administration is high: 75% of those respondents who made an estimate said that the percentage was more than 10%, and

¹⁵¹ Every program area had to set up one single financial plan and had to share one single bank account into which the payments were made. These changes were aimed at simplifying the Commission’s management and oversight of the program areas (ECA 2004: 7). In INTERREG IV, these arrangements are coordinated by a ‘Paying Authority’ which is called ‘Certifying Authority’ that forwards payments of all co-financing funds to the lead partners of the projects. It additionally monitors the proper assignment of the funds (JTIS 2008: 3-21; JITS 2013, web page, access 13.01.2013).

some of them even estimated the percentage at 25-30% of the total project costs. Significantly, at the program level from the side of the EU, 6% of the total costs are reserved for administration (JITS 2011 (b): 3-10). In this context, there does seem to be one changes that has improved the position of the Euregions: under INTERREG III, all receipts and documents had to be submitted with the 'application for reimbursement' and be verified by the particular project coordinator along with the financial administration of the Euregion; however, under INTERREG IV this is no longer necessary. The verification of the documents on which the 'application for reimbursement' is based is now done by the project lead partner itself. The lead partner has to carry out controls through an accountant and this person confirms that the costs spent were legal. This accountant has to be approved beforehand by the Euregions. Under the new procedure, the Euregion itself sees no longer original checks. Rather than this, the Euregion or the program management conducts an 'on-the-spot check' of the projects. These checks were conducted under INTERREG III as well, but the checks in the IIIA period were less strict than the current checks because they mainly focused on the content and PR activities of the projects. The current 'on-the-spot checks' include all books, checks, invoices and bills and this is a difficult task because in fact the Euregions control the appointed accountant. Because the Euregions are not the only controlling organizations, sometimes projects can undergo several controls in a short time from the particular Euregion, the *Finanzministerium NRW* and the European Commission, which both carry out random checks on projects. Unlike the 'on-the-spot controls' of the Euregion, where randomly selected 'applications for reimbursement' are controlled, the *Finanzministerium* conducts a 100% control of one, two or three 'applications for reimbursement'. However, such controls do not occur unexpectedly; the ERW informs the project partner one month in advance. In sum, my interviewee said: "Hence, the amount of controls has increased enormously and that creates a bit of resentment. During the project application process, we try to give a real picture of the complexity beforehand" (interview 16 2012).¹⁵² However, the interviewed project coordinator also said that: "If in the future it is the case that it will stay as it is now, that the accountant is controlling and we [as project management of the particular Euregion] no longer see any receipts and bills,

¹⁵² Original quotation: "Die Kontrollen haben also unheimlich zugenommen und das drückt auf die Stimmung. Man versucht bei der Antragsstellung schon ein bisschen davor zu warnen" (interview 16 2012).

then it would be reasonable that we or the financial ministry carry out on-the-spot check. Controls are reasonable after all” (interview 16 2012).¹⁵³

6.5.3 Another administrative burden

After the first series of mergers among program areas during the INTERREG III period, the value of conducting projects that covered more than one program area increased. The reason for this was the enhanced quality of cross-border cooperation and the synergy effects for the whole program area, not just for a single subprogram area. The development of these kinds of ‘flagship projects’ very much suited all thematic priorities.¹⁵⁴ Flagship projects between the joint program and the program of the EDR had actually been conducted under INTERREG IIIA, however these kind of projects that were conducted with project partners of the several program areas or which had effects in more than one program area had to be approved beforehand by the European Commission (JITS 2007: 48).

During the INTERREG IV period, the new term of ‘major projects’ was introduced, that in fact replaced the former ‘flagship projects’, formalizing them and increasing their prominence in the program. ‘Major projects’ were during the INTERREG IV period mainly initiated from the Dutch national side and they were allocated their own budget (cf. interview 6 2010, cf. interview 20 2010, cf. interview 28 2010). ‘Major projects’ fit with the aims of the Gothenburg and the Lisbon Agenda – namely to strengthen competitiveness through technology, innovation and sustainability. Additionally, ‘major projects’ fit with the national policies of the Netherlands (e.g. ‘Pieken in de Delta’ or ‘Nota Ruimte’ (Ruimtelijke Ordening) and German policies of North Rhine-Westphalia and Lower Saxony) (cf. JITS 2007 (a): 51-56; 78). However, the will for ‘major projects’ comes mainly from the national (German regional) level, and the Council Regulation for

¹⁵³ Original quotation: “Wenn es weiterhin so läuft, dass Rechnungsprüfer prüfen und wir [das Projekt-management der betreffenden Euregio] keine Belege mehr sehen, dann macht es schon Sinn, dass wir oder das Finanzministerium durch eine Vorortkontrolle mal nachsehen. Eine Kontrolle macht schon Sinn“ (interview 16 2012).

¹⁵⁴ With the term ‘flagship projects’ the German word *Leuchtturmprojekte* and Dutch word *vuurtorenprojecten* is meant.

the general provisions of the ERDF, the ESF and the CF states clearly – under the title ‘Major projects’ – that:

“As part of an operational programme the ERDF and the Cohesion Fund may finance expenditure in respect of an operation comprising a series of works, activities or services intended in itself to accomplish an indivisible task of a precise economic or technical nature, which has clearly identified goals [...]” (Council 2006 No 1083/2006, Art. 39).

Thus the intention for ‘major projects’ originates at the supranational/European level and the extra provisions on ‘major projects’ are taken forward by the Dutch-German INTERREG program partners as part of the procedure for establishing the program documents for the 2007-2013 period. The official definition of ‘major projects’ in the Dutch-German program is:

“Major projects are in first place common project from knowledge institutions en representatives from the private sector from both countries, which will expect market related results on the basis of applied research” (JITS 2007 (a): 78).¹⁵⁵

‘Major projects’ have to fulfill several criteria, in addition to the general criteria which all cross-border cooperation projects have to meet.¹⁵⁶ They should cover a large part of the whole Dutch-German program area. They should be long-term, sustainable and involve considerable engagement from both sides of the border, which means that ‘major projects’ have to cover a long period of time and that several budget years should be subdivided into significant phases. Financial participation by business is also welcomed, especially among the project applicants and as such, ‘major projects’ should be developed in close cooperation with knowledge institutions and the private sector. Furthermore, “the spatial extensiveness and the high quality of the ‘major projects’ is generally also reflected in the volume of the total cost, where a clearly bigger financial

¹⁵⁵ Original citation: “Majeure projecten zijn in eerste instantie gezamenlijke projecten van kennisinstellingen en vertegenwoordigers van het bedrijfsleven uit beide landen, die op basis van toegepast onderzoek marktgeoriënteerde resultaten doen verwachten” (JITS 2007 (a): 78).

¹⁵⁶ Which are the cross-border character and the sustainability of the project. Next to this, projects should not violate the European Community law and or the national legislation (cf. JITS 2012, web page, access 13.01.2013).

contribution of the private sector is expected” (JITS 2012, web page, access 13.01.2013; JITS 2007 (a): 78).

However, ‘major projects’ require significant administrative effort, because of the number of project partners, the large total budget and thus much effort is required to secure cofinancing. Preparing ‘major projects’ for approval by the Monitoring Committee and the administration involved in implementing the project costs a great deal of time due to the diversity of the project partners (cf. interview 1 2012). One program manager said that it is not certain that such a construction will be used in the next period of funding because it is very difficult to develop reasonable projects with so many participants:

“The agreements that have to be made means a correspondingly high bureaucratic burden for these major projects. The procedure of approval before the projects starts is also very long and complex. In addition to this, it is very difficult to make changes – which occur more often at larger projects than at smaller – during the course of a project and that can be noticed in the administration. Controlling is also easier for smaller projects with fewer partners. Small projects are clearer and can be handled by one accountant. When you have 30 partners, for example, it is much more difficult. In practice major projects do have some problems in the areas of development and support and consequently also with the implementation of the project through the complexity of such projects” (interview 19 2012).¹⁵⁷

Before INTERREG IV, the Euregions had already warned of the problems which could occur. Because of past experiences with larger projects, the management of the Euregions knew what could happen. Issues arise not only due to communication between the many partners, but also from setting up the financial structures for such large projects. In this procedure, cofinancing is often the problem. As one interviewee

¹⁵⁷ Original quotation “De afspraken en de hiermee verbonden bureaucratische last, liggen bij deze majeure projecten heel hoog. De procedure van goedkeuring voor de start is ook erg lang en complex. Daarnaast is het heel lastig om wijzigingen – die komen bij grote projecten veel vaker voor dan bij kleine – door te voeren in de loop van het project, dat werkt administratief dan ook weer door. Ook controles bij projecten met minder partners zijn natuurlijk makkelijker, zijn overzichtelijker en kunnen door een accountant worden uitgevoerd. Bij bijv. 30 partners is dit veel moeilijker. In de praktijk hebben majeure projecten dus een aantal problemen op het gebied van ontwikkeling en draagvlak en vervolgens ook bij de uitvoering van het project zelf door de complexiteit van de projecten” (interview 19 2012).

explained, both the German *Bundesländer* as well as the Dutch *Provincies* will only provide cofinancing when the particular projects matches their own particular objectives. In the Netherlands, the national level also has a cofinancing budget and the Dutch national level usually cofinances where the '*provincies*' also finance and this means, especially for the case of the 'major projects' that those projects have to deal with several smaller cofinancing budgets on the Dutch side. This is an extra administrative burden for 'major projects', not least because every cofinancing party has its own aims and requirements for the projects that that they cofinance (cf. interview 19 2012).

As such, the decision-making process also becomes complex. The launch of 'major projects' is time-consuming and this means that the pace of implementation and spending the budget is much slower than that for the regional projects of the whole program. In fact, the smaller, regional projects balance the pace of implementation within the program. Under INTERREG IV it is obvious that, due to the regional projects, it has only been possible so far to achieve the target of the 'n+2 rule' for the overall program (cf. interview 19 2012).¹⁵⁸

6.5.4 Cofinancing issues in practice during INTERREG IV

Generally speaking, under the current INTERREG IV program the Dutch *Ministry of Economic Affairs* (EZ) and to a lesser extent also the Dutch *Ministry of Housing, Spatial Planning and the Environment* only provide cofinancing for innovative, technological and sustainable projects. The cofinancing budget for the projects in the ERW region, for example, comes mainly from the provinces of Gelderland and Overijssel (which had also been the case under INTERREG III) as well as to a lesser extent from the provinces of Limburg and Noord-Brabant. Cofinancing by the Dutch *Provincies* tends to be for all kinds of projects while only the projects involving economic, technical or innovative aspects are eligible for national cofinancing from the Dutch national level of government. The Dutch national share of cofinancing currently represents the full 25% of the total project budget in a very few cases. Because of the economic crisis, it is often difficult for

¹⁵⁸ The n+2 system or rule can be considered as an “[...] automatic decommitment rule which requires committed funding to be spent within two years [...]” for the most European member states. There are some countries where a n+3 rule is applied, which means that committed funds must be spent within three years (Barca 2009: 74).

subregional or regional Dutch partners, particularly Dutch municipalities, to make up the cofinancing gap of 20% up to 25% (interview 19 2012). Hence, cofinancing has been a difficult issue under INTERREG IV although this has not generally had anything to do with changes made between INTERREG III and IV but with the broader economic situation. The trend shows that obtaining cofinancing is easier for larger projects than for smaller, often social or cultural projects. Usually, smaller projects such as those within the People II People framework project (PIIP) have direct effects for the inhabitants of the border regions.¹⁵⁹ Together with the fact that a substantial share of the total budget is reserved for priority 1 ('Commerce, technology and innovation'), the effect is that ever fewer projects that directly affect inhabitants of the border regions are being conducted. Under INTERREG III, the framework PIIP project was a full success:

“Framework projects were well-accepted and very successful. These projects helped to decrease the burden, especially for project applicants who were applying for funding for the first time” (JITS 2007: 49).¹⁶⁰

In addition to this, many projects under the priority of 'society and integration' with relatively low total cost would not have been established if not for the possibility of running smaller projects within the PIIP framework, because the approval procedure of such projects is much shorter than for regular INTERREG projects. In brief, the PIIP framework projects of the INTERREG III period were able to bring the INTERREG programs closer to the inhabitants of the border regions and thus their 'understanding' of the work and objectives of the European Union was enhanced (cf. JITS 2007: 49).

For these reasons and also because of the success of the PIIP projects within INTERREG III and the high demand for project financing within this particular framework

¹⁵⁹ Within INTERREG IIIA, projects which were and are conducted within the PIIP framework construction had a maximum INTERREG budget of €25,000, while 'normal' INTERREG projects needed a minimal total budget of €50,000 within the joint program and €100,000 for the EDR program (cf. JITS 2007: 48). During the INTERREG IV period 'normal' regional projects should ensure that they have a minimum total budget of €100,000 and the INTERREG maximum budget for projects within PIIP remained at €25,000 (cf. JITS 2009, point 3.3: 3). Within the ERW there are also three more framework projects, which are called: 'Focus Innovation', 'Focus Sustainability' and 'Healthcare'. The maximum funding for projects within 'Focus projects' is also €25,000 (cf. ERW 2012, web page, access 05.07.2011) .

¹⁶⁰ Original quotation: “Er is gebleken dat de kaderprojecten goed zijn ontvangen en zeer succesvol waren. Deze projecten hebben in het bijzonder bij aanvragers die voor het eerst een subsidie probeerden te verkrijgen, bijgedragen tot het verminderen van hun drempelvrees” (JITS 2007 (a): 49).

project construction in the program period of 2000-2006, the budget for PIIP was increased under INTERREG IV and three more framework projects were established under the regional management of the ERW. These were called 'Focus Innovation' and 'Focus Sustainability', and there was also a framework project on healthcare. Unfortunately and counter to expectations, the framework projects are struggling under INTERREG IV due to a lack of cofinancing. This is not due to a lack of interest in these framework projects – there are many good ideas but they just cannot be realized because of the cofinancing problems. However, a first attempt has been made to solve this problem. The province of Gelderland, for example, has established a cofinancing budget solely for PIIP projects, which have an affinity to the province (cf. interview 16 2012, cf. interview 23 2010).

In fact, the role of the project coordinators, at least for the smaller social and cultural projects, has changed over the last years. While under the previous funding period a selection of project applications had to be made, under the current period, the project coordinators have to visit the municipalities and organizations that could become project partners and investigate which project ideas may be deserving of funding and how to secure cofinancing for these ideas (interview 16 2012). In short, under the current funding period, the situation is the direct opposite of that under the previous period of funding, in that project coordinators are now lobbying for the possibility of project funding while during the last period project applicants were lobbying to have their project ideas funded.

6.6 Simplifying the administrative burden of the Dutch-German INTERREG program

As mentioned in section 6.5.1, where we compared the implementation rules for the Dutch-German INTERREG/ETC programs over successive funding periods, the question remained of whether the attempts of the European Commission to simplify the Structural Funds and make them more efficient had been effective so far for the INTERREG programs. Section 5.4, on the development of the ERDF, explained that efforts in this area started with the reform of the Structural Funds in 1999, mainly by decentralizing the funds in respect of their implementation, while more rigorous

simplification had to take place during the current period of funding and for the next period of funding (see also section 5.5). It is significant in this respect that while the 1999 reform of the Structural Funds decentralized tasks and authorities relating to implementation towards the national, regional and subregional levels, the Commission also bundled the totality of the regulations for all the Structural Funds, so that the rules for the different funds would be more standardized. As explained in section 6.5.1, the Commission has been able to use a single set of regulations for the current period of funding (2007-2013) for the implementation of the ERDF, the ESF and the CF. This regulation replaced the previous ten regulations from the 2000-2006 programming period. (European Commission DG Regional Policy, presentation 2012 (b), Brussels: sheet 2).

6.6.1 Additional requirements from (sub)national participants

Before going into detail about how the drive towards simplification in the overall Structural Funds and the ERDF affected the Dutch-German INTERREG program in particular, we should note the following: for the INTERREG program along the Dutch-German border, the regulations and rules imposed from Brussels are not the only factor that is causing increasing administrative complexity. The other main cause is that, as explained earlier, the European Commission has withdrawn from the direct decision-making procedures of the programs and thus the program partners at the subregional, regional and national levels of governance are responsible for implementing and conducting the programs correctly. What is more, because Dutch-German cross-border cooperation is highly evolved and has – compared to most other European border regions – a long history (see sections 6.1 and 6.2), the extra regulations which need to be taken account of by the subregional, regional and national program partners make the Dutch-German program more administratively complex and stricter than the requirements passed down from the European Commission. The European Commission acknowledged this development in its document on ‘Simplifying Cohesion Policy for 2014-2020’ under the title ‘Simplification is a joint responsibility’:

“Assessments carried out have shown that in certain areas there is a risk of putting in place additional national requirements on top of EU requirements. This limits the effect of simplifications on the burden placed on beneficiaries proposed at EU level. It therefore will be up to both Member States and authorities in charge of the programmes to take measures to avoid the introduction of unnecessary additional requirements and checks” (CEC 2012 (b): 15).

One interviewee remarked that the extra requirements that are discussed before a program starts with all the program partners are generally very significant in the Dutch-German program (cf. interview 21 2012). Another interviewee was also concerned about the huge administrative burden of cross-border cooperation along the Dutch-German border. He acknowledged that greater transparency would not be possible in the Dutch-German program because the program is already excellently communicated through extensive annual reports and other documentation. Every detail of the program can be looked up somewhere. The question remains, therefore, of whether there is any way of making the program more effective. Furthermore he questioned that it is not completely clear for someone like him, who knows Dutch-German cross-border cooperation quite well but does not know the inside decision making in detail: “[...] and I ask myself, who is creating this bureaucracy? Is it really Brussels or is it created during the implementation in the field?” (interview 17 2012).¹⁶¹

Some interviewees from the European Commission – such as one head of unit at the DG Regional Policy – but also from other institutions in Brussels, referred to the extra regulations as ‘gold plating’ (interview 22 2010; interview 35 2012). However, this term was not used in the border region itself, nor during negotiations between the program partners before a program starts. In fact, most of the program partners were unfamiliar with the term ‘gold plating’ until they heard that civil servants at the European Commission and some ministries in The Hague used it.¹⁶² The Dutch-German program partners did not think that the additional opportunity of ‘major projects’ in the Dutch-

¹⁶¹ Original quotation: “[...] und frage mich, wer verursacht eigentlich die Bürokratie. Ist es wirklich Brüssel oder die Umsetzung vor Ort?” (interview 17 2012).

¹⁶² The term ‘gold plating’ is used also by Jens Geier (MEP of the Group of the Progressive Alliance of Socialists and Democrats in the European Parliament), when he says that in the context of the complexity of EU funding, the member states complicate European regulations by adding their own requirements (citation: “[...] die nationalen Regulierungen die europäischen noch mehr verkomplizieren”) (VDI Nachrichten 2013, web page, access 25.03.2013).

German program of INTERREG IV counted as 'gold plating'. However, extra regulations which have already been agreed upon and which are stricter than the European regulations are indeed known as 'gold plating'. In short, the interviewee from the program management of the Euregions was very firm in his assertion that 'major projects' are not part of 'gold plating' for two reasons: firstly, because 'gold plating' has a negative connotation and 'major projects' used to be a positive incentive for the border regions, because 'major projects' go beyond small initiatives and also because

“The idea of major projects is based on the political desire to implement projects with a larger impact and effect within our INTERREG program. I don't count this as 'gold plating' but more as a wish to give the program a certain direction. The term 'gold plating' refers to issues that are specified in the subsidy requirements, such as the additionality requirements or limits on staff costs, which are set by ourselves. I think these issues could be described as 'gold plating'. But I would separate the major projects from this” (interview 1 2012).¹⁶³

The main reason however, why 'major projects' do not belong in the category of 'gold plating' is because implementing 'major projects' is a part of the general regulations for the funding period of 2007-2013. However, within the Dutch-German program the definition of 'major projects' has been tightened up at the subregional, regional and national levels than the regulations passed down from the supranational level (cf. JITS 2007 (a): 78-79; Council 2006 No 1083/2006 Art. 39: 47).

Besides the question of categorizing 'major projects', one interviewee stated on a more general note that: “the idea with the major projects sidesteps the general principle of decentralization” (interview 21 2012).¹⁶⁴ In respect to the simplification and regionalization of the future program period, he continued by saying that: “[From today's

¹⁶³ Original quotation: “Majeure projecten is een politieke wens om projecten van een grotere impact en een grotere uitstraling binnen ons INTERREG-programma uit te voeren. Ik zie dat niet als 'gold plating' maar meer als een wens om met het programma een bepaalde richting op te gaan en onder het begrip 'gold plating' vallen dingen, die zijn opgenomen in onze subsidievoorwaarden, bijvoorbeeld de additionaliteitsverklaring, dingen als grenzen voor de personeelskosten, die wij hebben vastgesteld en andere. Dit soort dingen kunnen volgens mij wel onder 'gold plating' vallen. Maar daar wil ik de majeure projecten van scheiden” (interview 1 2012).

¹⁶⁴ Original quotation: “[...] die Idee mit den majeuren Projekten (hebt) eigentlich den dezentralen Ansatz wieder auf” (interview 21 2012).

perspective], something is wrong in the basics because from the European point of view everything is decentralized. It would be better to insert something into the regulations that really would lead to simplification and contribute to the regionalization of decision-making” (interview 21 2012).¹⁶⁵

The general discussion about ‘additional requirements in a program’ is not confined to the Dutch-German border, but also involves other regions and other programs. That is why the same respondent added “that [the national requirements on programs] also exist in other programs. Cross-border cooperation – and that is the intention from Brussels – is meant to be decentralized and it depends a lot on how a state is organized, which indicates how much leeway the regions get” (interview 21 2012).¹⁶⁶

Contrary to what might have been expected from the general tenor, one other interviewee from the European Commission said that “the regions all want to play a strong role. However, in comparison with France or Poland, we can see that the national level in Germany really doesn’t have a strong role” (interview 10 2012).¹⁶⁷ But an explanation for this last statement can be found in Germany’s federal system. As explained in section 3.1, regional policy in Germany is the responsibility of the federal states or *Bundesländer* and is not a task of the central government in Berlin. This respondent was referring to the national level rather than to the regional level which the German *Bundesländer* belong to in this dissertation (for the division of levels of governance, also see section 3.1). During the interview the interviewee also commented on the mechanisms for cross-border cooperation programs in France, Portugal and Poland, where the national authorities decide almost all important issues through the Monitoring Committees. The regions themselves simply follow the decisions made at national level and only the selection of the projects itself takes place at the regional level. The interview partner added that this has a negative impact not because the national

¹⁶⁵ Original quotation: “[Aus heutiger Sicht], liegt einfach etwas an der Basis falsch, denn aus europäischer Sicht ist alles dezentralisiert. Man sollte eigentlich in den Vorordnungen ein paar Dinge hinein schreiben, die wirklich zu Vereinfachungen führen und die zur Regionalisierung auf Entscheidungsebene beitragen” (interview 21 2012).

¹⁶⁶ Original quotation: “Das [die nationalen Auflagen an die Programme] gibt es aber auch anderswo. Die grenzüberschreitende Zusammenarbeit – und das ist von Brüssel so gewollt – ist ein dezentraler Ansatz und es hängt sehr stark davon ab, wie ein Staat organisiert ist, um fest zu stellen „wie viel Leine“ er den Regionen vor Ort lässt” (interview 21 2012).

¹⁶⁷ Original quotation: “Die Regionen möchten alle eine starke Rolle spielen. Im Vergleich zu Frankreich oder Polen muss man aber sagen, dass die nationale Ebene in Deutschland wirklich keine starke Rolle spielt” (interview 10 2012).

level tends to want to conduct its own strategy, but mainly because, unlike the regions, national authorities are usually not keen on adding extra requirements. However, she said that when the national level is involved in a direct decision in a cross-border cooperation program, it has to look carefully at the border regions and tailor its strategies to suit the regional concept of cross-border cooperation (cf. interview 10 2012).

A further point concerning decisions made at the national level is that member states would be able to use national eligibility rules for co-financed projects, rather than two sets of rules as was done in the past.¹⁶⁸ For the Dutch-German border under INTERREG IV, the program partners agreed on one set of rules for all documents of the INTERREG IVA program period (cf. interview 1 2012).

In respect to the simplification of control systems and with that to simplifying the working in the programme itself and make the administration less time consuming, it was foreseen that for smaller programs, some of the requirements on control arrangements can be carried out by national bodies established according to the national rules and thus reduce the need to comply with certain Community audit requirements (CEC 2007 (c): 10) The Dutch-German INTERREG IVA program drew up a document called *'Beschreibung der Verwaltungs- und Kontrollsysteme für das INTERREG IV A-Programm Deutschland-Niederland gemäß Artikel 71, Verordnung (EG) 1083/2006'*. This is a description of the management and control system, in accordance with the Council regulation 2006 No 1083/2006 (cf. JITS 2008; see also Council 2006 No 1828/2006 Art. 24). This document describes and defines the entire control strategy and method of controlling projects and the overall program. For the implementation of the CIP, a single 'Managing Authority', a single 'Certifying Authority' and a single 'Audit authority' for the program work together in accordance with Council regulation 2006 No 1083/2006 Art. 59 and Council regulation 2006 No 1080/2006 Art. 149) (see also section 7.1 and 7.3). These authorities are located at separate institutions and thus function independently and the principle of the "separation of functions between and within such bodies" is fulfilled (CEC 2006 No 1083/2006 Art. 58b: 54).

¹⁶⁸ In the past, one set of rules was in place for the Community co-financed projects and one for nationally funded projects (cf. CEC 2007 (c): 10).

6.7 The complexity of simplification: a further step towards simplifying the Dutch-German INTERREG/ETC program?

The proposals for the next funding period on specific provisions for the support from ERDF for the goal of ETC (2014-2020) were published on 14 March 2012 and it features a prominent place for the discussions surrounding preparations for the next funding period, the subjects of '(in)efficiency', '(in)effectiveness' and 'simplification' have an important role (see also section 5.5).

Later on in the proposals, in relation to 'simplification', the document says for example that a maximum of four thematic priorities in cross-border cooperation programs may be introduced or that in order to achieve a better comparison of the targets, a list of prescribed indicators for cross-border cooperation programs must be completed (Council 2012 No COM (2011) 611final/2, chapter 3, Art. 5: 20; Art. 15: 29; Annex: 35f).

In the proposals for the forthcoming new funding period, the importance of cross-border cooperation in the context of the ETC is made clear by giving the ETC a particular value and affirming that "trans-boundary problems can most effectively be solved with the cooperation of all regions concerned to avoid disproportionate costs for some, and free riding by others" (e.g. cross-border environmental pollution) (Council 2012 No COM (2011) 611final/2: 2). More generally, it also states that "governance can improve as a result of coordination of the sector policies, actions and investments on a cross border and transnational scale" (Council 2012 No COM (2011) 611final/2: 3). The importance of cross-border cooperation within ETC can also be seen in the proposals setting out the division of funding between the different cooperation components as follows: cross-border cooperation 73.24% (a total of €8,569,000,003), transnational cooperation 20.78% (a total of €2,431,000,001) and interregional cooperation 5.98% (a total of €700,000,000) (Council 2012 No COM(2011)611final/2: 7).¹⁶⁹ This proposal describes the aim of cross-border cooperation (in addition to the aim of transnational and

¹⁶⁹ For the period 2014-2020 an amount of €376 billion is proposed for economic, social and territorial cohesion and this budget has to be divided as follows: convergence regions €162.6 billion; Transition regions €39 billion; Competitiveness regions €53.1 billion; Territorial cooperation €11.7 billion; Cohesion Fund €68.7 billion; Extra allocation for outermost and sparsely populated regions €0.926 billion and Connecting Europe Facility for transport, energy and information and communication technologies (ICT) €40 billion (with an additional €10 billion Euro ringfenced within the Cohesion Fund) (Council 2012 No COM (2011) 614final: 6).

interregional cooperation, cf. Council 2012 No COM (2011) 611final/2: 10) and it is said that cross-border cooperation

“[...] should aim to tackle common challenges identified jointly in the border regions (such as poor accessibility, inappropriate business environment, lack of networks among local and regional administrations, research and innovation and take-up of information and communication technologies, environmental pollution, risk prevention, negative attitudes towards neighbouring country citizens) and exploit the untapped potentials in the border area (development of cross-border research and innovation facilities and clusters, cross-border labour market integration, cooperation among universities or health centres), while enhancing the cooperation process for the purpose of the overall harmonious development of the Union” (Council 2012 No COM (2011) 611final/2: 9).

However, simplifying existing programs is a complex issue since the programs have developed over time and multiple program partners all have their own distinct roles and responsibilities. In the two sections that follow, two concrete examples of simplifying programs will be described in respect to the Dutch-German case study. Both examples refer to the ‘second shift of authority’, whereby authority has passed from the supranational level to the national, regional and subregional levels through the principles of funding, especially through the ‘programming principle’. The question of measuring the results and effectiveness of the program and the overall reduction of the administrative burden for the beneficiaries will be discussed. The attempts at simplification stemmed in both examples from sides of the European level. The program partners at the national, regional and subregional levels have had to accept these efforts and possible changes in the ETC programs for the Dutch-German border are already being discussed by a ‘Preparing Committee’ which has met several times.¹⁷⁰ The ‘Preparing Committee’ includes representatives from the *Bundesländer* of North Rhine-Westphalia and Lower Saxony as well as from national level of the Netherlands, as well as the Dutch provinces and the Euregions themselves. One of the main points of discussion is inspecting the simplification of the regulations and how this can be applied

¹⁷⁰ The ‘Preparing Committee’ was called in German *Vorbereitungsgruppe* and in Dutch *voorbereidingsgroep*.

towards the Dutch-German region (JITS 2013; cf. interview 1 2012; cf. interview 31 2012).

6.7.1 First example of “Measuring the results and effectiveness of the programs”

In the context of growing complexity and administration in European programs, the administrative burden of proving that a program is effective is certainly one of the most important goals. Setting indicators and categories to measure the output of the programs is closely related to the process of evaluation which has already been discussed extensively in the literature on cohesion policy (cf. Bachtler and Wren 2006; Bachtler and Michi 1995; Jakoby 2006; Polvari and Bachtler 2004). To summarize, structural and cohesion programs are implemented under a common regulatory framework throughout the European Union but the regional and national circumstances and institutional arrangements for managing and delivering regional policy vary widely (cf. Bachtler and Wren 2006: 143).

How to measure the output of a program has been under discussion for longer than just the last few years and the discussion over indicators is closely related to the question of efficiency, which is demanded from Brussels (cf. Euractiv 2011, web page, access 05.07.2011).

In the regulations that accompanied the 1988 reform of the Structural Fund, it was stipulated that:

“Monitoring shall be carried out by reference to physical and financial indicators specified in the Commission decision approving the operation concerned. The indicators shall relate to the specific character of the operation, its objectives and the form of assistance provided, and to the structural and socio-economic situation in the countries in which the assistance is to be provided. They shall be arranged in such a way as to show, for the operations in question:

- the stage reached in the operation,
- the progress achieved on the management side and any related problems”

(Council 1988 No 4253/88 Art. 25 (2): 10).

However, at that early stage of the Structural Funds, which were still being allocated on the basis of the program structure, the indicators were not generally set for all programs.

Efficiency was also addressed in the double interview with civil servants of the DG Regional Policy, who were responsible for quality management (German *Qualitätssicherung*) in cross-border cooperation programs. One of them said that efficiency is very difficult to measure and: “We cannot prove that European interventions do have an effect [on cross-border cooperation] and that really is an issue. Everyone wants to have numbers and indicators to measure results. With Europe 2020, the direction has been set towards making everything measurable. One of the first attempts was agreeing on a list of indicators for the period 2007-2013, which prescribed the use of certain predefined indicators, but that was not compulsory. Just 7 out of 27 states used the indicators for cross-border cooperation and measured the results. So a comparison is not possible yet” (interview 10 2012).¹⁷¹

The question remains of why the European Commission does not oblige the member states to use a common list of indicators to measure the output of the programs, since in respect to evaluating the EU programs “[...] there are differences in the data collected, the sophistication of application and the kinds of question addressed” (Bachtler and Wren 2006: 144). This is due to the diverse range of policy instruments and objectives, as well as the different institutional arrangements for managing and implementing the various programs. Another factor is the fact that the circumstances under which the programs are implemented throughout Europe also differ considerably in geographical and economic terms, for example (cf. Bachtler and Wren 2006: 144). The same can be said of the individual cross-border cooperation programs throughout Europe – these use different reporting indicators, according to the interviewee, because of the fact that the member states and their circumstances differ enormously from each other. It is very

¹⁷¹ Original quotation: “Wir können nicht beweisen, dass die europäische Intervention Auswirkung [auf die grenzüberschreitende Zusammenarbeit] hat und das ist echt ein Problem. Alle wollen Zahlen und Indikatoren, um die Auswirkungen zu messen. Mit Europa 2020 geht man in die Richtung alles messbar machen zu wollen. Einer der ersten Versuche war eine Festlegung einer Indikatorenliste in der Periode 2007-2013, indem man vorschrieb, dass man bestimmte Indikatoren nutzen sollte, dies war jedoch nicht verpflichtend. Nur 7 von 27 Ländern haben die Indikatoren für grenzüberschreitende Zusammenarbeit genutzt und die Resultate gemessen. Dann lässt sich nun damit noch nichts vergleichen” (interview 10 2012).

difficult to find indicators which are a compromise between the 27 member states and their various border regions (cf. interview 10 2012). Besides this, indicators which have to be submitted as an achieved output or target at the end of the programs is often difficult and difficult to provide accurately because of differing definitions and/or double-counting. Above all, developing a list of indicators for the end of a program is also often difficult, because the effects of interventions, such as in tourism or education, may take years to be felt – long after end of a program. Setting up a strict list of indicators would cause these long-term effects to be overlooked, at least not in the indicator list which has to be submitted to the European Commission at the end of the program. The interviewee added that the ETC is an example of this par excellence, because it has a relatively small budget and aims to stimulate a long-term development in the border regions (interview 10 2012). As Bachtler and Wren (2006: 144) found from the periodic reports of the European Commission, most results reported for EU cohesion policy claim that substantial levels of job creation, investment and other results are attributable to the policy. The question remains of whether measuring a set of indicators really does enhance the efficiency of a program or whether it is a tool for creating greater transparency and thus enabling comparisons between the various programs. The interviewee was quite clear on that question: indeed the indicators are a tool for comparing programs and also to monitor results and value for money (interview 10 2012). That may be why in the proposal for the next funding period “Common indicators have been defined to better capture the outputs of and increase the overall orientation on results” (Council 2012 No COM (2011) 611 final/2: 7). These common indicators are set out in the Annex of the proposal and concerning the measuring of ETC goals (cf. Council 2012 No COM (2011) 611 final/2: 25).

The interviewee from the European Commission also explained that if output were to be measured simply to enhance the transparency of a program, there are other, better tools to do this. One method would be to categorize the costs, which would have to be specified before the programs started and then checked again at the end of a program period (interview 10 2012).

In order to explain the system of indicators for cross-border cooperation programs more in detail, the interviewee explained that under the current program there are four

priorities and 86 categories that have to be determined (interview 10 2012).¹⁷² If the Commission sees that there are irregularities, a communication will be sent to the regions. The interviewee stated that all the programs are controlled every year and these quality controls would be enhanced in future. However, the interviewee also admitted that “often the use of the categories is done incorrectly, people put in the wrong dates or use categories twice for the same output, because they don’t know how to do this properly or because of the changes to the method within a short time period or some other reason”.¹⁷³ A further explanation made clear that in general it is much better to use categories than the indicators, because after all the aim is to measure and control whether the money is spent “in the member states on the aim for that was foreseen” (interview 10 2012).¹⁷⁴

In addition to completing lists of indicators and categories and conducting ex-ante, mid-term and ex-post evaluations, every program is required to submit a yearly report. Joint programs like the Dutch-German program for cross-border cooperation submit one joint yearly report, and in the 2000-2006 funding period this report included a list of indicators for every project conducted. The annex listed all the indicators achieved by the projects every year (cf. JITS 2000: 115; cf. JITS 2007 (a): 88; 103; JITS 2004 (b): Annex D: 111f.).¹⁷⁵ In the current funding period (2007-2013), the requirements for the yearly report were a little different because the text of the yearly reports is more compact and thus more readable for all the interested parties and not exclusively for the European Commission.¹⁷⁶ The annexes on project indicators are still included and PR activities and publications are also included in the yearly reports, but in a more summarized version rather than the extensive list used in the previous funding period. A further change is that indicators on projects and on PR and communication are no longer divided between the

¹⁷² Within the proposal for the next period of funding there exist 10 indicators with 51 units for ETC-programs (cf. Council 2012 No COM(2011)611 final/2, annex: 33-36).

¹⁷³ Original quotation: “Oftmals stimmt die Nutzung der Kategorien an sich nicht, die Leute geben oftmals falsche Daten ein oder nutzen mehrere Kategorien für den gleichen Output, weil sie sich nicht auskennen, oder weil sich die Methodik innerhalb von kurzer Zeit geändert hat oder Ähnliches” (interview 10 2012).

¹⁷⁴ Original quotation: “wofür es in den Mitgliedstaaten vorgesehen war” (interview 10 2012).

¹⁷⁵ Within the yearly CIP reports of the joint Dutch-German program of the funding period of 2000-2006 also an extra annex was inserted wherein all publications, newspaper articles etc. concerning the INTERREG program was insert with title and date (JITS 2004 (b), Annex C: 89f).

¹⁷⁶ The yearly reports may be shorter in the funding period 2007-2013, because of the transparency due to the common digital monitoring system, which include all projects with their planned and achieved targets.

separate subprograms and given for each project, but are summed up as total numbers per priority (cf. JITS 2011 (d): 30; Annex 1: 36f).

The Dutch-German cross-border cooperation program now publishes yearly reports and the Joint Technical INTERREG Secretariat has set up a very informative website, (cf. JITS 2013 web page, access 13.01.2013). Both of these channels provide interested parties with all the required forms for INTERREG project applications, yearly reports and other detailed information and downloads concerning the joint program of the four Dutch-German Euregions. The question of whether it is still necessary to enhance the transparency of the ETC/INTERREG program will be answered by one of my interviewees.¹⁷⁷ An interviewee from the European Parliament said that it would not be possible to make the Dutch-German program more transparent, because everything is already described in the informational documents, websites, databank as well as in the annual reports (cf. interview 17 2012).

The detailed annual reports are checked by staff members of the DG Regional Policy, but are also communicated to other DGs in the Commission because sometimes the content of one program, such as in the area of agriculture, may overlap with other programs and this overlap has to be monitored to avoid double financing or to stimulate synergy effects. Additionally, the “expert knowledge of the colleagues from the other DGs” can be used to make a better appraisal of the activities in the programs and this leads to a better evaluation of the report (cf. interview 10 2012).¹⁷⁸

The general statement of the European Commission on the future program period in respect to the work done on reporting, evaluating, managing and monitoring the programs is that they “should be proportionate in financial and administrative terms to the level of support allocated” (CEC 2012 (b): 7). Furthermore, the Commission is convinced that in some cases simplification could lead to a direct cut in administration costs. In this respect, it says that “focusing on core common indicators will facilitate aggregation of data and reporting on achievements at EU level” (CEC 2012 (b): 9).

¹⁷⁷ The four Dutch-German Euregions also each have their own websites, where the topic INTERREG is just a part of the whole presentation of the particular organizations. For the EDR see: www.edr.eu, for the EUREGIO see www.euregio.eu, for the ERW see www.euregio.org and for the ermn www.euregio-rmn.de.

¹⁷⁸ Original quotation: “fachspezifische Kenntnis der Kollegen aus anderen GDs” (interview 10 2012).

Regarding the yearly reports, the Commission wants to introduce simpler and automatically generated reports in order to decrease the burden writing these documents. In sum, “The intention of the Commission is to ensure proportionate reporting by the managing authorities, limiting it to essential elements” (CEC 2012 (b): 9). The yearly reports could consist largely of automatically available data from the information system without the need for detailed texts, as during previous funding periods. However, the Commission will not do away with the old form of report entirely, because twice within the future program period – in addition to the final implementation report – the managing authorities will “be requested to submit more comprehensive reports” (CEC 2012 (b): 9).

6.7.2 Second example of reducing the administrative burden for beneficiaries

The next example of ‘the complexity of simplifying programs’ is reducing the administrative burden for beneficiaries. We chose this example because the increasing administrative burden of previous and current program periods can be felt in the border region itself, especially by the Euregions and their project partners and by participants who have to follow increasingly intensive and complicated rules with complex and time-consuming procedures for making applications and managing projects. The requirements for the projects were much stricter under INTERREG IIIA than during the INTERREG I period. The increasing administrative burden is partly a consequence of the development of the ‘programming principle’ and the withdrawal of the European Commission from direct decision-making in the programs themselves. That tendency, over several program periods, has caused increasing authority to be delegated from the European Commission to the other involved levels of governance. The national (German regional) levels of governance have taken on an increasingly important role for example (see also chapter 7). Nowadays, the regulations for implementing a program like the Dutch-German INTERREG program are very extensive and that of course is reflected in the requirements for the specific projects themselves.

Attempts have been made to reduce the administrative burden for beneficiaries from two sides. On the one hand, the European Commission will introduce some changes to

reduce administration in the 2014-2020 funding period. On the other hand, the INTERREG partners in the border regions (especially the management of the Euregions) have already made some attempts to ease the application procedure for projects, which we will describe below. The 'beneficiaries' of the program can thus be interpreted in two ways. From the point of view of the European Commission, the beneficiaries of the programs are the member states, because the money for the programs is given to the national level. For the other levels of governance involved at the subregional, regional and national levels – also called the INTERREG program partners here – the beneficiaries are the end-users or project partners. However, the Commission's attempts to simplify procedures for their beneficiaries (the member states) have also had an effect for the end-users of the program, the project partners.

First of all, for the next period of funding (2014-2020) the European Commission proposes that the administrative burden will be reduced due to the "wider possibilities for the use of simplified costs" while the simplified costs options which were already introduced in the period 2007-2013 will be retained (CEC 2012 (b): 10). Specifically, this proposal means that some newly introduced (annual) account systems will be conducted in respect to the financial management. In respect to the management and control systems, some simplifications will also be introduced, for example Managing Authorities at the national (German regional) level of governance may also act as Certifying Authorities. Additionally, 'greater proportionality' should exist, involving exemptions for 'low-volume programs' and also for programs which have delivered consistently good results. Above all, the monitoring and checks carried out by the European Commission on individual operations should be limited on their frequency (European Commission, DG Regional Policy 2012 (a) presentation: 21).

The simplification of costs already carried out in the 2007-2013 period (but not applying to all programs in that period) included 'flat rates'. According to one interviewee from the DG Regional Policy such simplifications as 'flat rates' should be introduced in areas where mistakes often happen, such as the area of 'indirect costs'. Here, a flat rate of 15% of the total costs could be reserved, without needing to approve every cent that is spent. Of course the reason for using a 'flat rate' construction must be explained thoroughly beforehand. If the 'flat rate' is accepted, subsequent auditing does not need to check all the costs incurred but just the method used (cf. interview 6 2010). 'Flat rates'

will be extended to several categories of costs for the funding period 2014-2020. The official formulation for simplifying cost reimbursement options is described as follows:

“Introduced in 2007-2013, simplified cost reimbursement options provide possibilities to reduce the burden associated with financial management, control and audit, both for the beneficiaries and the national and regional authorities” (CEC 2012 (b): 10).

In addition to this, the proposal for the period of 2014-2020 foresees a “performance orientation of cohesion policy” with which “the payment of lump sums and unit costs in particular may be conditional on the delivery of agreed outputs or results” (CEC 2012 (b): 10). Furthermore, the period for which documents must be retained will be reduced from the current maximum of over 10 years to around five years in the next program period (CEC 2012 (b): 10).

As well as the attempts from the European level to simplify the programs, the Dutch-German INTERREG partners are also seeking to address the increasing complexity of project applications and aim to make the procedure of approving projects as easy as possible for project partners (despite the fact that the national level has added additional requirements to the program, see also section 6.5.3). First of all, the subprograms of the separate Euregions in the INTERREG IIIA and IV programs have standardized all the documents for project applications which are available on the central website of the Joint Technical INTERREG-Secretariat. The application forms include all the advisory manuals and guidelines. The regional program management uses a shared digital monitoring system for all the projects in all the regional programs, as explained previously. However, the four ‘regional program managements’ in the form of the four Dutch-German Euregions remain the first contact points for regional project ideas and initiatives, and carry out the work of the Managing Authority under the responsibility of the Managing Authority in accordance with the general regulations for the ERDF, ESF and CF:

“The Member State may designate one or more intermediate bodies to carry out some or all of the tasks of the managing authority under the responsibility of that authority” (Council 2006 No 1083/2006 Art. 59 (2); cf. JITS 2008: 4).

On the side of the member states, it is important that in a large program area such as the one in my case study, there are 'connecting authorities'. The regional program management organizations already conducted tasks on behalf of the Managing Authority during the previous program periods and this construction contributed to the successful implementation of the funds under the past program periods. During the period 2007-2013, the structures established by the regional program management were used alongside the excellent knowledge of the regional managements about the region and actors involved as well as the implementation of the INTERREG program itself:

"The spatial proximity of the regional program management structures located in the border regions and the project partners has many advantages in respect of advising and supporting these partners; it means we are able to answer questions and solve problems quickly through meetings and personal contact" (JITS 2008: 2f)¹⁷⁹

and

"Normally the regional program management is supposed to support the project applicants during the process of initiating the projects. They advise the applicants in the development and elaboration procedure of the projects" (JITS 2008: 6).¹⁸⁰

To summarize, on the one hand, the application procedure, rules and forms have been standardized to benefit end-users. The approval procedures have been streamlined under INTERREG IV and are now quite similar from Euregion to Euregion since the Dutch-German Euregions have agreed on uniform application procedures in compliance with the digital monitoring system. On the other hand, the regional program management structures remain in order to be closer to the regional projects and applicants, and to act as contact points in the regions themselves, because their regional knowledge and networks can be used during regional projects.

¹⁷⁹ Original citation: "De ruimtelijke nabijheid van de in het grensgebied gevestigde regionale programma-managements bij de projectpartners biedt vele voordelen bij de advisering en ondersteuning van deze partners; op deze wijze kunnen vragen en problemen in kortstondige bijeenkomsten en persoonlijke gesprekken worden besproken" (JITS 2008: 2f).

¹⁸⁰ Original citation: "In de regel zijn de regionale programmamanagements voor de ondersteuning van de aanvragers bij het initiëren van de projecten verantwoordelijk. Zij adviseren de aanvragers bij de ontwikkeling en uitwerking van projecten" (JITS 2008: 6).

The Euregions also appreciate that the project approval can be very time-consuming – in the case of an INTERREG project which is not part of a framework construction¹⁸¹ – and during the approval process several barriers have to be removed before a project application will be approved at the official meeting of the regional Steering Committee. In order to get projects approved at such a meeting, the civil servants from the Euregions provide as much assistance as possible to project partners. Some Euregions, such as the Euregio Rhine-Waal or the EDR, have also established a *Technisch Overleg* (TO) or *Koordinierungsgruppe* which meets approximately once a month (cf. interview 31 2012). The TO was introduced under INTERREG III and still exists under INTERREG IV and serves to communicate the progress of project applications. Representatives of the INTERREG partners (not the project partners themselves) participate. The goal of these meetings is to discuss in an informal setting the progress towards project approval, cofinancing issues and the content of the projects, but also to generate new ideas for the project and other project-related issues. Furthermore, potential cofinancing parties like the Dutch provinces also participate in the TO, enabling them to see at a relatively early stage of the project application which project ideas may need future cofinancing and can communicate those ideas at this very early stage to their separate departments. The TO's main goal is to speed up the procedure of project approval and test at an early stage whether a project application is viewed favorably by the other parties or not. In short, the establishment of the TO is purely an advantage for the end-users and, established by the border regions themselves, is an attempt to decrease the burden for the end beneficiaries.¹⁸²

¹⁸¹ Framework-projects are e.g. "PIIP"-projects or the earlier mentioned "Focus-projects" (cf. ERW 2011, web page, access 05.07.2011).

¹⁸² The basic idea behind these TO or *Koordinierungsgruppen* meetings is to help project applicants, but as one interviewee emphasized, such an extra committee can also have a negative effect – for example, potential project applicants may be asked to make adjustments following the meeting and they may then work on this feedback but not in a way that the project application could be approved. The proposed project may then be rejected in the end. Such a situation could give the program a negative image, because applicants' efforts would be in vain. Furthermore, on the basis of a short project description (see form in downloads on the web page of the JITS), the relevant departments of the ministries are often not able to formulate a positive or negative position vis-à-vis the project plan. Additionally, due to the several rounds of adjustments before a project application is submitted, some project applicants can no longer recognize their initial idea after the process of this first *TO/Koordinierungsgruppe* (interview 31 2012).

6.8 Summary

This chapter has given a detailed overview of the development of cross-border cooperation along the Dutch-German border. There has not been one development but at least two. Firstly, the 'renationalization shift' – in this dissertation also called the 'second shift of authority' – that started with the introduction of the European Regional Development Fund (ERDF) in 1975 when European institutions passed increasingly responsibility for implementing cross-border cooperation to the subregional level at the border region itself and to the national and especially for Germany the regional level. Secondly, there was another development that began much earlier. These were grass-roots or bottom up developments in the border regions themselves, establishing networks, institutions and organizations with the aim of conducting cross-border cooperation in the border region itself for the benefit of the region and its inhabitants. These early projects and network structures occurred independently of European financial support and because they have been active since the 1950s, they were not originally part of a European wide strategy. More than that, because as can be seen from the overall development of the European regional policy since the end of the Second World war towards the mid 1970s, no concrete strategy existed in this field (see also chapter 4). In the 1980s the two developments just described – the European and the (sub)regional – converged when European funding was allocated to the regions – in this case study the border regions – to stimulate cross-border cooperation in a systematic way. As part of that development, the pre-existing Dutch-German Euregions were given an important new role in allocating European regional funding from 1989 onwards.

When analyzing this development by using the theoretical model of this dissertation, it can be seen that the supranational European institutions, especially the European Commission, became a 'new Principal' which transferred since the mid 1970s increasingly more authority and responsibility for the content of cross-border cooperation (especially after the programmatic funding starting in 1990) towards the other involved levels of governance: the subregional, regional and national levels (see also *illustration 5* in chapter 5). As a consequence, the European Commission, as a 'new Principal', created multiple 'new Agents' on the other levels of governance. In the case of the Dutch-German border, the 'new Agents' were not so much newly 'created' or founded

but were organizations that were already existing, due the bottom-up movement mentioned above and explained intensively in section 6.2 (see also chapter 7).

Since the introduction of the INTERREG program, the Dutch-German Euregions have become responsible for the implementation of a program which began as a Community Initiative and later became an European objective of its own under the last funding period (2007-2013): European Territorial Cooperation (ETC). As well as the renaming and restructuring of European regional policy, some concrete changes in the Dutch-German border regions can also be seen. On the one hand, the merging of program areas and the bringing together of several Euregions to work together under one program since 2000 can be witnessed (see section 6.4). On the other hand, also the step-by-step withdrawal of the European Commission from specific decision-making and the delegation of these powers to the other levels involved can be seen. It is, this retreatment of the Commission or renationalization of cross-border cooperation that has been the source of further complexity, however, because it has been replaced with increasing oversight and monitoring by the Commission, which has been applied to the program over time. As a consequence of the increasing retreat of the European Commission from direct involvement in the cross-border programs over time, the controlling from the side of the new Principal – the European Commission – increased and the overhead and administration was growing for the ‘new Agents’ (see also section 6.5.1).

However, the discussion on the day-to-day running of the program shows that not all regulations are coming from Brussels, but that other program partners at other levels of governance have also introduced additional regulations and requirements into the program. This seems to be a consequence of their (re)gained leeway regarding the focus and implementation of the program. Those extra requirements made by the national and (sub)regional program-partners – the ‘new Agents’ – introduce extra administrative burdens on the end-users on the programs and also for the Euregions themselves (see sections 6.5.3 and 6.6).

Overall, the discussion on simplification has made it very clear that simplification has not only been an issue for the last few years, but dates back to the 1990s in the case of the Dutch-German program (see also section 6.6). All the authorities involved at the multiple levels of governance have sought a further simplification and the practical consequences

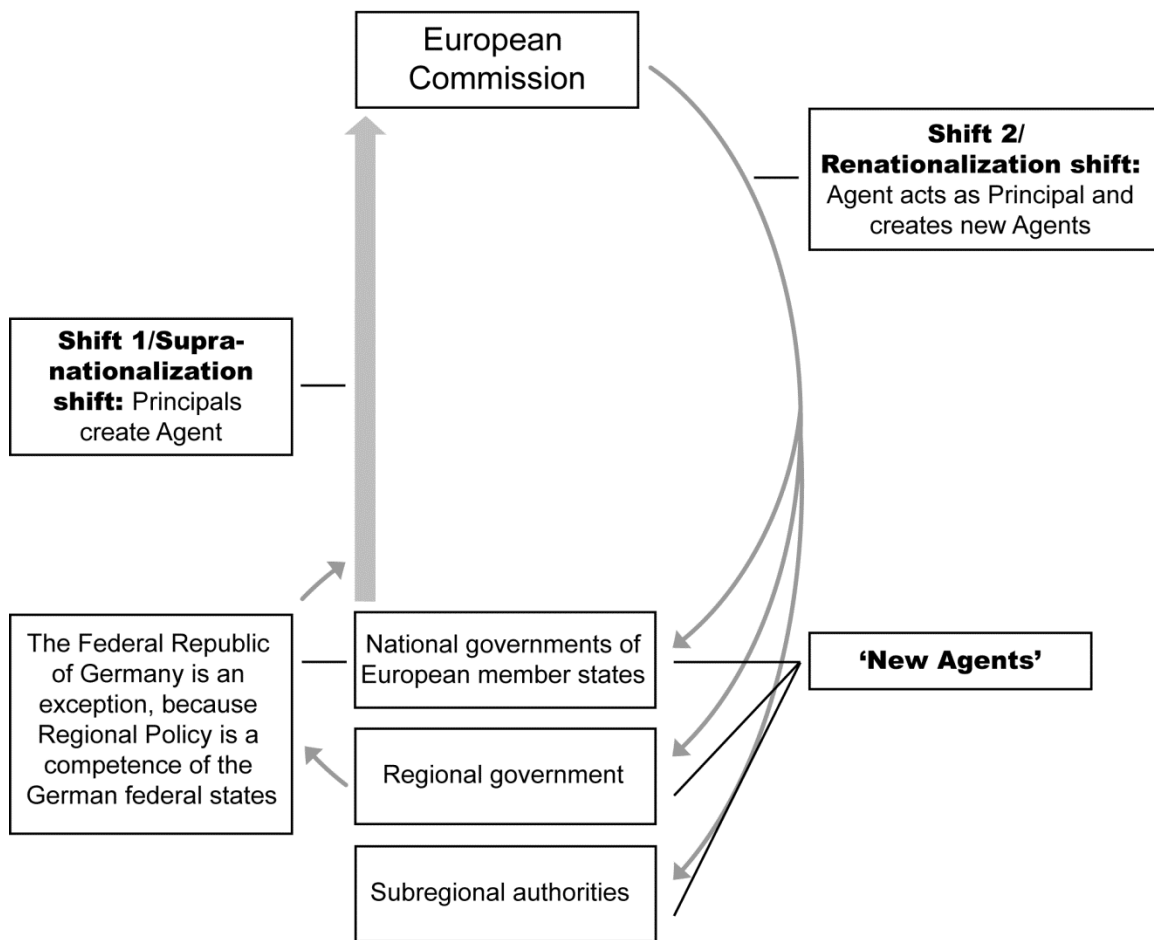
are already being felt in the current program, such as the use of a digital monitoring system or the introduction of an extra meeting to support project applicants during the approval procedure (see sections 6.7, 6.7.1 and 6.7.2). However, a further simplification may be needed in future to get a better balance between the costs and efforts to administrate and participate in such a cross-border programme and the specific output of the single projects. On the one hand a program was set up in the early 1990s with the aim to reduce cross-border cooperation and to ease the strains on cross-border cooperation while on the other hand, it can be seen that within the program the administrative burden increased over the several program-periods as a consequence of the several reforms of the European Structural Funds in general and of the INTERREG-program in particular. Because of the fact that the actors on the several levels of governance involved acknowledge the problem of the still increasing bureaucracy the discussions on simplification of European Structural Funds and European subsidy programs remained.

7. Agents and Principals all at the same time: MLG and PA combined

As we have already seen, there has been a 'shift in authority' in European regional policy, from national governments to the supranational European Commission. This was followed by a 'second shift in authority' in which – in the case of European cross-border cooperation – the Commission delegated authority back to the national and regional levels of government as well as to subregional authorities (the Euregions) by developing the EU's cross-border INTERREG program. The 'first shift' of authority, the 'supranationalization shift', took place within overall development of the European regional policy as explained in chapter 4. The second shift, the 'renationalization shift', involved a delegation of authority from the European Commission – as a new Principal – back to the national, regional and subregional levels – as new Agents. This chapter will largely focus on theoretically explaining the 'second shift of authority', as this has most drastically increased the administrative complexity of the INTERREG program.

What makes this study of Euregional cross-border cooperation interesting from a theoretical point of view is that it includes not only multiple Principals – who, as member states of an international organization are a common phenomenon – but also multiple Agents, with Euregions and national and regional governments acting as Agents who have been given decision-making authority by another Agent, namely the European Commission (see *illustration 8*). It is that process that cannot be fully analyzed either by the MLG approach or the PA approach individually (see also sections 3.3. and 3.3.1).

Illustration 8: From multiple Principals to 'new Agents'



(Own illustration)

The Dutch-German Euregions were working on cross-border cooperation long before the European INTERREG program was introduced, and as such these organizations were not 'founded' by the European Commission as Agents. But even so they may still be viewed as Agents constructed by another Agent in view of the tasks that they carry out on behalf of the Commission. The same can also be said of the national and regional governments who act as Agents as well. These were not newly created as Agents either, but in terms of their new tasks in the field of cross-border cooperation, they can also be considered 'new Agents'. The situation of the European INTERREG program for cross-

border cooperation can perhaps best be summed up by an observation made by Hooghe and Marks (2001: 94): “while many policy areas can be described as institutions looking for funding, cohesion policy is funding looking for institutions.” More specifically in the case of INTERREG the ‘second shift’ took place as described by Perkmann (Perkmann 2005: 175), who speak of “the need of the European Commission for regional policy implementation partners that would be able to devise and initiate cross-border projects on a local level.” As a result, the European Commission needed and still needs (sub)regional intermediaries who were and still are able to implement the European funding programs in the regions, because the Commission itself is and was not able to conduct them by themselves. The Euregions at the subregional level were given the new function of institutions for implementing the INTERREG program, together with their regional and national program partners.

As the European Commission delegated authority to the subregional, regional and national levels and withdrew progressively from the direct decision procedure for cross-border projects, a process that began mainly after the introduction of INTERREG in a program structure and thus at the beginning of the INTERREG I program in 1990, it also sought to enhance its means of controlling the work of its ‘new Agents’. (cf. Regio Rijn-Waal 1990: 23; cf. Euregio Rhein-Waal 1994; cf. JTIS 2000; 2004; 2008; 2010). The ‘second shift’ or ‘renationalization shift’ was thus further reinforced by giving INTERREG a program structure in 1990. This shows how the European Commission increasingly acted as a ‘new Principal’ and that the national, regional and subregional levels of the member states became the ‘new Agents’. Empirically, this means that since the start of the INTERREG I program in 1990, the main decisions in border-region projects have been made by program partners at the subregional, regional and national levels together with the European Commission. With the start of the INTERREG II period in 1994, the European Commission withdrew as a member in the regional Steering Committees and thus no longer had a decisive say in the specifics of cross-border cooperation projects and the ‘second shift’ took another step further (cf. Euregio Rhein-Waal 1994: 52). However, the European Commission remained part of the overall Monitoring Committee until the end of the INTERREG II program in 1999 (cf. Euregio Rhein-Waal 1994: 52; JITS 2000: 98). After the 1999 reforms, the European Commission no longer had a decisive seat in the Monitoring Committee either, which meant that the specific implementation of programs was from that point on the responsibility of the subregional,

regional and national program partners and the 'second shift' had taken another a step in its shifting of authority. Members of the European Commission were – and still are – invited to Monitoring Committee meetings in an advisory capacity (cf. JTIS 2000: 100). Since then, overall monitoring of the program has been carried out by the European Commission, while the monitoring of specific projects – the so called 'first level control' – takes place at the national (Netherlands) and regional (German *Bundesländer*) and subregional levels (conducted by a so called *berechtigte Prüfstelle* together with a regional program management which in this case study is located in the Euregions). The implementation of the program in the border region and the decisions made over project allocation are also solely the responsibility of the program partners at the subregional, regional and national levels (cf. JTIS 2008: 26).

In order to delegate responsibility for implementing the programs, the European Commission has established various control mechanisms and oversight procedures, including contracts, monitoring systems and the possibility of imposing sanctions, as described in the literature on the PA approach (the Principal in general seeks to control its Agent, see section 3.2). The Commission has been able to do this because it has the explicit responsibility, as the original Agent of the member states, for managing the finances of the EU and supervising the implementation of policy by all member states (cf. Pollack 1997: 105).

As part of this 'second shift', whereby the Commission supervises controls on member states, administrative complexity has increased significantly from one program period to the next. The Commission's role in implementing EU policies is primarily that of a supervisor and overseer and the actual implementation is generally delegated to appropriate agencies in the member states. The Commission seeks to supervise the national agencies and the way they carry out their EU duties. The Commission is in a position to do this because the policies are applied in a reasonably uniform manner in all member states (Nugent 2006: 175). However, regarding the different geographical, cultural, social, demographical and economical circumstances of the member states and the regions in which the programs are implemented, total uniformity in measuring the results of programs and setting the goals and requirements of specific funding instruments is not possible, as described in section 6.7.1 for the INTERREG program.

What should be emphasized here is that giving authority over control, implementation and decision making to the member states completely, also means that the national level is able to impose additional requirements and regulations, in order to tailor the program to their own policy strategies. The European Commission itself has noted the increasingly detailed rules on eligibility for the programs and says that these rules are decided mainly at the national level (cf. European Commission DG Regional Policy 2009: 7). However, the Commission allows the member states “to apply national control rules more rigorously than those prescribed in this Regulation” (CEC 1997 No 2064/97: 2). As such, the European Commission has actually stimulated the ‘bureaucratic drift’ of the Agent (see also section 3.2). However, the European Commission in its role as the ‘primary Agent’ has also enhanced its regulations on implementation over time, for example through rules such as the n+2 system or fully delegating responsibility for conducting the first two evaluations (ex ante and ‘on-going’/midterm) to the member states and the program partners (cf. Barca 2009: 74f).

It is not only controls by the subregional, regional and national Agents that have increased, but also financial administration in the European Commission itself, through its restructuring of the internal organization and the creation of new controlling departments and auditing services in the Commission (cf. Mendéz and Bachtler 2011: 750). The DG Regional Policy in particular has been the subject of stricter controls because the margins of errors were and still are higher than at other DGs (cf. European Commission DG Regional Policy 2012 (a), presentation; cf. Mendéz and Bachtler 2011: 752f, cf. interview 26 2012).

When these two shifts in the Principal-Agent relationship (see *illustration 8*) are analyzed, two of the four control mechanisms mentioned are specifically relevant for the topic of study and will be explained in more detail in the following sections: 1) Designing the Agent’s contract so that it includes the correct incentives and 2) Monitoring the Agent’s actions (cf. Blom-Hansen 2005: 629).

The other two control mechanisms mentioned by Blom-Hansen (2005) that are supposed to ensure that member states resist the temptation to use the Structural Funds allocated to them for their own purposes rather than for those stated by the EU goals, are ‘applying sanctions to Agents who “drift” from the original contract’ and ‘choosing an

Agent carefully', as explained in section 3.2. In this case study, the point of sanctioning is less relevant because the sanctions procedure has only been applied very rarely in the area of Structural Funds and because it is very difficult for the European Commission to recover money which has already been spent. Such procedures are time-consuming and involve excessive legal work. In fact, in the case of Dutch-German cross-border cooperation, this method has never been used at all (cf. interview 2 2009). Neither is the 'careful choice of an Agent' particularly relevant in this case study because the European Commission and the supranational level in general has no choice in the Agents that it appoints because the member states act as its natural partners and each member state arranges and delegates the implementation of the Structural Funds – or in this case the cross-border program of INTERREG (cf. Molle 2007: 102; Blom-Hansen 2005: 630).

7.1 From 'new Principal' to 'new Agents': Designing an Agent's contract.

The 'second shift', away from the supranational European Commission – now acting as a Principal – towards its 'new Agents', the member states at the national level and the regions and the Euregions at the subregional level, will be explained in this subsection through the control mechanism of 'designing the Agent's contract so that it includes the correct incentives' (cf. Blom-Hansen 2005) and will be applied to this case study in section 7.3.

With regard to the 'design of the Agent's contract', the PA literature indicates how the Principal can build in the 'correct incentives'. In the case of cohesion policy and more specifically in the case of the Structural Funds, the topic of this study here, it can be ascertained that the correct incentives are that the projects carried out as part of the programs must be compatible with the goals set by the 'new Principal'. A contract between a Principal and an Agent needs to be designed in such a way as to give the Agent incentives to comply. In the public sector the most potent incentives are financial and administrative ones. As Molle (2007) states, in the field of cohesion policy financial incentives are provided through the selection of beneficiaries, which is part of the programming process and will be explained in more detail below. Administrative incentives, meanwhile, specify rules that relate to choosing the projects and partners

that may become involved. Molle states that the more that the interests of partners are likely to coincide with those of the Principal, the higher the chance of compliance. He acknowledges that the “EU is not the final decision-maker” and that the member states and regions are in the position to determine which projects are funded (cf. Molle 2007: 192f).

The official goal of European cohesion policy has remained unchanged since the 1960s. It still aims to reduce economic and social disparities in the Union, at both national and regional levels. In addition to this general goal, the projects in the programs need to be innovative and must build on the national policies of member states (cf. Blom-Hansen 2005: 624, 627). In order to achieve the goals of cohesion policy, the Structural Funds have some basic principles which were laid down in the reforms of 1988 and which are called ‘additionality’, ‘programming’, ‘concentration’ and ‘partnership’ (see section 5.3.1). These four basic principles of the Structural Funds remain the basis of the Structural Funds to this day. These principles will be outlined here in order to show how the ‘new Principal’ (the European Commission) has designed the contract for the ‘new Agents’ (at the national, regional and subregional levels).

First of all, the principle of ‘concentration’ means that funds must be spent in the areas of greatest need (cf. Bache and George 2006: 465f.). EU financial assistance is concentrated through a series of priority objectives, which have existed since the Structural Funds were first conceived, but have changed slightly over the various program periods. Programs such as INTERREG have enabled the EU to focus on particular problems and opportunities relating to regional development in Europe, as well as to experiment with new approaches and campaigns to promote the development of network cooperation between regions that straddle national borders (Panteia et al. 2009: 9). Today, the most common aim of regional policy is to enhance regional economic competitiveness, stimulate economic growth and create new jobs (cf. European Commission 2011 web page, access 05.07.2011).

The second principle, ‘additionality’, means that Structural Funds must be complemented by national expenditure, which is meant to exclude the possibility that money from the Structural Funds is being used to finance existing national policies or to replace existing national funding (Blom-Hansen 2005: 631). The EU funds should

complement rather than replace national resources (Nugent 2006: 371). Contributions from the Structural Funds therefore “must not replace or equivalent structural expenditure by a member state in the regions [...]. [...], the financial allocations from the Structural Funds may not result in a reduction of national structural expenditure [...]” (Porrás-Gómez and Barzeley 2012: 4f). Furthermore, this principle means that member states cannot use EU resources to reduce national spending on regional development and to make sure of this, EU resources go directly to the regions or managing authorities rather than to national treasuries (Hix 2005: 290). The goal of this principle was greater involvement by subnational authorities (cf. Council 1999 No 1260/1999, Art. 11: 14; Blom-Hansen 2005: 631; Bache 1998: 70). This principle already existed in the basic ERDF regulation from 1975, but was reinforced in 1988 because it was regularly ignored (EEC 1975 in Bache and George 2006: 463; cf. Bache 2008: 4). From the very beginning, evaluating the principle of ‘additionality’ was not easy, because it is impossible to make a comparison with what member states would have spent in the absence of these funds (cf. CEC 1975: 7f).

The next principle, ‘programming’, means that programs lasting several years became the norm for all funding in order to ease the Commission’s administrative burden, promote a more coherent approach and facilitate controlling and monitoring (cf. Bache 1998: 70; Hix 2005: 290). The ‘programming principle’ means the Commission does not decide on project allocation; rather, grants from the Structural Funds are allocated to the member states on the basis of broad programs (Blom-Hansen 2005: 632). Funds are allocated for the entirety of the program period and the program partners are required to set up an Operational Program (OP) before the start of the program period which is subject to approval by the European Commission. The programs are prepared by the member states, discussed and elaborated beforehand with their program partners, and prepared in accordance with the regulations set by the European Commission (cf. Council 2006 No 1080/2006; Council 2006 No 1083/2006). At the beginning of each multi-annual program period, the program is discussed by the Commission and the member states, who submit a single programming document for each structural priority objective. These documents form the legal basis for allocating grants to individual projects over the entire program period (Blom-Hansen 2005: 632). In previous program periods those evaluations were known as ex-ante and ex-post assessments and later on (since 2000) the mid-term evaluation was introduced in order to evaluate the progress of

the programs (cf. Bachtler and Michie 1995: 746). As such, as Bachtler and Wren (2006) have stated, the cohesion policy became one of the most intensively evaluated policies in Europe. As explained in chapter 5 on the development of the Structural Funds and the ERDF since the reforms of 1988, when the programming principle for European Funds was introduced, successive phases of regulation have created an increasingly rigorous system of appraisal, monitoring and evaluation covering all EU-funded regional development interventions. In respect to evaluation, the programming cycle led to the development of the ex-ante evaluation to verify the targets for the program, the mid-term evaluation to establish the need for corrective action and the ex-post evaluation to assess results (Bachtler and Wren 2006: 143). In sum, the principle of 'programming' is an essential element for maintaining long-term added value. It has facilitated greater strategic planning, especially at the regional level and encouraged the participants "to adopt a 'strategic' approach to regional development, leading to the introduction of new ideas and approaches, better project selection and greater coherence in co-financed projects" (Bachtler and Gorzelak 2007: 317). Additionally and "from a financial perspective, multi-annual programming gives rise to a greater stability of funds for economic development than does annual budgeting" (Mairate 2006: 171).

The principle of 'partnership' generally means that "the policy operates through close cooperation between the Commission, national governments and regional authorities (which in some states had to be created for the purpose) in the process that runs from the preparation of projects to the implementation and monitoring of expenditure" (Hix 2005: 290). In the regulation (Council 1988 No 2052/88, II: 8), this is expressed as follows:

"They [the Community operations] shall 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 with each party acting as a partner in pursuit of a common goal. [...]. The partnership shall cover the preparation, financing, monitoring and assessment of operations."

As we can see, the 'partnership principle' was conceived primarily as a vertical relationship between the European Commission and national, regional or subregional

authorities. Over time a horizontal dimension of partnership has grown, which involves a wide range of stakeholders at the subregional, regional and national levels. The advantage of partnerships in combination with the 'programming principle' (see below) is that it helps to focus intervention on the needs of the region or of particular target groups. It also stimulates ideas for projects through the partners communicating opportunities in relation to Structural Funds requirements (Mairate 2006: 173). As Bachtler and Gorzelak (2007: 318) point out, evaluation studies generally conclude that the principle of 'partnership' has brought enhanced transparency, cooperation and coordination to the design and delivery of regional development policy as well as the result of a better quality of regional development interventions. The benefits of the 'partnership principle' are usually: "[...] new forms of governance, stronger involvement of local actors, collaborative working and cooperation on economic development initiatives, improved decision-making in the management of economic development interventions (e.g. project selection) and opportunities for exchange of experience" (Bachtler and Gorzelak 2007: 318). As part of the 'partnership principle', the European Commission has made it clear that the member states themselves have primary responsibility for monitoring program expenditure, while the Commission will act in a supervisory role, overseeing the national systems. This means that the partnership principle could also be part of the control mechanism of 'monitoring the Agent's action', as mentioned by Blom-Hansen 2005, and will thus also be looked at in more detail in section 7.2.

Under the principle of 'partnership', a system of 'shared management' was created, which means that there are different levels of control – in the member states there are three levels of control with corresponding bodies of the Managing Authority, the Certifying Authority and the Audit Authority – act independent of one another (European Commission DG Regional Policy 2009: 7). The Managing Authority, or the regional program management under the responsibility of the Managing Authority, conducts the 'first-level control' and its main responsibility is to ensure that the program is implemented effectively and correctly. To do this, the Managing Authority has to inform the Commission of whether financial and physical targets – which are set in the Operational Program before the program begins – have been achieved, by means of Annual Implementation Reports that are examined and approved by the Monitoring Committee. The 'Certifying Authority' conducts the 'second-level control'. The 'second-

level control' also takes place within the member states and assures the Commission that the expenditure "being declared for reimbursement is accurate, results from a reliable accounting system, and complies with applicable Community and national rules. It receives expenditure claims from the Managing Authority and carries out checks before it includes them in the certified claim for payment sent to the Commission" (European Commission DG Regional Policy 2009: 8; cf. Barca 2009: 74). The 'Audit Authority/Authorities' in the member states "has/have a key function in building up assurance in the system through the performance of the important responsibilities imposed by the regulations, at the beginning of a period, during the implementation and at closure" (European Commission DG Regional Policy 2009: 9) This system of 'shared management' is stipulated by the program documents, which are described under the point of 'programming', so that the European Commission is able to see how the projects and the whole program will be monitored in the member states.

It is also important to remember that Structural Fund money takes the form of 'matching grants', meaning that European Funds do not finance entire projects or programs, but only part of them. The percentage of the European money allocated depends on the particular program. This system of 'matching grants' can also be seen as a kind of a control mechanism: because national, regional or subregional money from the member states is also involved, fiscal control will also be exercised over the partly EU-financed projects by that particular member state, rather than by the supranational level. In the literature on cohesion policy, these 'matching grants' are also often explained or mentioned in combination with the principle of 'additionality', because national, regional or subregional money is involved and European money supplements national funding (cf. Porrás-Gómez and Barzelay 2012: 4f).

7.2 Monitoring the actions of the Agent

The PA literature typically speaks of two types of monitoring control: the 'police patrol oversight' and the 'fire alarm oversight' (cf. Héritier 2007: 24; cf. Blom-Hansen 2005: 634; cf. Molle 2007: 193). On the basis of the results of this study, it is possible to see how, in the case of interregional cross-border cooperation, both types of control apply.

'Police patrol oversight' in this case study works in a number of ways. Firstly, member states have to set up national Monitoring Committees to monitor the Structural Funds programs; its activities consist mainly of reporting, evaluating and auditing (cf. Council 1999 No 1260/1999: Art. 35 in Blom-Hansen 2005: 634; cf. Molle 2007: 193). As mentioned in the context of the 'partnership principle', the Commission, the subnational authorities and interest organizations are represented on those Monitoring Committees and they are chaired by the member states, meaning that the composition of the Monitoring Committee for a program is fully determined by the member states (cf. Blom-Hansen 2005: 638; cf. Barca 2009: 74). However, as explained earlier, this constellation has changed over successive program periods. The chair of a Monitoring Committee (the member states) is responsible for making annual and final status reports to the Commission which specify how the Structural Fund programs have been implemented and conducted (Council 1999 No 1260/1999: Art. 37 in Blom-Hansen 2005: 634).¹⁸³ The evaluation of the programs (ex-ante and the mid-term evaluation) takes place in those Monitoring Committees and the results are discussed. Consistent with Blom-Hansen, monitoring the Agent's actions includes evaluation procedures – the ex-ante and mid-term evaluations as well as the ex-post evaluation. The first two evaluations are primarily the responsibility of the member states while the ex-post evaluation must formally be undertaken by the European Commission (Blom-Hansen 2005: 634, Barca 2009: 74).

In short, the 'police patrol oversight' can be characterized as "centralized, ongoing, thorough and systematic", because it is based on regular control of the Agent's activities (Molle 2007: 193; cf. Héritier 2007: 24).

Less costly than 'police patrol oversight' is the second type of control, the 'fire alarm mechanism'. This comes into play when one of the third-party actors involved under the 'partnership principle', such as subnational authorities and interest organizations, reveals non-compliant behaviour by the Agent. These bodies are in a position to monitor the Structural Funds operations closely in the individual member states (Héritier 2007: 24; Blom-Hansen 2005: 634), and consequently, this mechanism requires less involvement by the Principal. As Blom-Hansen states (2005), the European Court of Auditors (ECA)

¹⁸³ The tasks of the Monitoring Committee are described in Article 65 of the Council Regulation 2006 No 1083/2006 (Molle 2007: 214) .

may also conduct special investigations in selected areas of EU cohesion policy. This was done in 2004, for example, in a Special Report by the ECA during the program period of INTERREG III (ECA 2004; cf. interview 24 2010). Reports set up by the ECA are not based on the reports of the Commission but on the ECA's own evaluations, so that they are as independent as possible. These reports consider both the program and the project level of the Structural Fund programs and can be seen as a form of evaluation of how the program is being implemented. Furthermore, the European Parliament, the Committee of the Regions and the Economic and Social Committee are also in a position to sound a 'fire alarm', because the Commission is obliged to report to them on the operations of the Structural Funds and the general status of EU cohesion policy at least every three years (Blom-Hansen 2005: 634f).

7.3 Practical consequences of both systems of control for the case of Dutch-German cross-border cooperation

This section will discuss the practical consequences of both control mechanisms described in sections 7.1 and 7.2 in relation to the administrative burden or complexity of Dutch-German cross-border cooperation.

Firstly, the principle of 'concentration' – which means that European money has to be spent on the areas of greatest need – can be clearly applied in this Dutch-German border-region. This principle has informed cross-border cooperation since the European Commission developed its view that border regions are often neglected under national policies with the result that their economies have often become peripheral within national boundaries (CEC 2004 (a): 2). Furthermore, border regions often suffer from the division of communities in economic, social and cultural terms, which is the effect of a national border in the region (cf. CEC 2000 (b): 6). The overall aim of INTERREG for cross-border cooperation has remained constant during all the funding periods and is, as mentioned earlier, that national borders should not be barriers that hinder balanced development and integration throughout Europe (CEC 2004 (a): 2). As such, European border regions, including the Dutch-German border areas, can be considered as areas that need financial stimulus from the European Structural Funds. Awareness of the

importance of stimulating territorial cooperation in Europe has increased over successive program periods and European Territorial Cooperation (ETC) has become a separate objective under the most recent program period of funding, and under the ETC the objective of cross-border cooperation now actually accounts for the largest share.¹⁸⁴ This has formalized Europe's appreciation of the importance of financial stimulus in cross-border regions, in that cross-border cooperation is no longer simply the subject of a Community Initiative, as it had been until the end of 2006, but has now been embodied in a separate European objective (see also section 5.2.3).

The basic principle of 'additionality' had existed since the ratification of the ERDF regulations in 1975. Efforts were made to prove that the 'additionality principle' was being applied by the member states – for example, in the first annual report of the ERDF in 1975, the German government pointed out that the funds devoted to the '*Gemeinschaftsaufgabe*' were higher in 1975 and 1976 than they had been in 1974, before the Fund was created (CEC 1975: 7f). In that first year of the ERDF in the Netherlands, an agreement was struck between the Ministries of Finance and Economic Affairs which "provides for receipts and from the Fund to be credited to the latter as additional resources and that the precise manner of their use will be specified in the annual budget" (EEC 1975: 7). The 'additionality principle' has changed slightly since the 1988 reforms of the European Structural Funds and it has become a stricter requirement. For Germany, this meant specifically that before 1988 the funds were used almost exclusively to refinance projects approved for domestic regional funds. The near absence of the principle of 'additionality' in Germany prior to 1988 meant that the Commission hardly influenced German regional policies (Anderson 1996: 190). With the introduction of the Communitarian Initiatives in 1988, the Commission gained the "capacity to upset the delicate distributional balance among problem regions" and made the German Federal Ministry of Economics "concerned about losing control over development and expenditure priorities, not to mention the procedures attending development" (Anderson 1996: 190). As explained earlier, the Communitarian Initiatives

¹⁸⁴ In the program period 2007-2013, the division of the ERDF-budget within the ETC-objective is as follows:

Cross-border cooperation: €5.6 billion

Transnational cooperation: €1.8 billion

Interregional cooperation: €445 million (European Commission 2011, web page, access 10.08.2011).

were part of the Structural Funds and “were programs devised by the Commission to meet outstanding regional needs” (George 2004: 119; cf. Bache 1998: 71).

Looking at the application of the ‘additionality principle’ over the successive program periods of INTERREG, it is clear that it has become progressively stricter over time. On paper, the official Operational Programs for the Dutch-German border from these periods mention the additionality requirements as part of the “criteria for project-approval” in the same way (cf. JTIS 2000: 107; cf. JTIS 2007: 98; see also Annex 1). But in practical terms, the documentation required for project applications has changed: since the start of the INTERREG IV period, an extra document has been required which explains how the project meets the criterion of additionality. In specific terms, this means that working hours for staff working on a project must be reserved for that particular project, for example, and it is explicitly not allowed for them to be spent on other activities in the participating organization. Although small, this document presented significant difficulties for some project partners under INTERREG IV (see also section 6.5.2).

The principle of ‘programming’ can also be seen clearly in the Dutch-German INTERREG system, the current INTERREG period being the fourth program. INTERREG is – like all Structural Funds – phased in programs; a program lasts for several years and money is allocated to the program (the member states) for the duration of the program. The European Commission sets general rules for the implementation of the INTERREG program before each new program period starts. These general regulations or guidelines apply to the ERDF program as a whole. There are also regulations that relate specifically to INTERREG (cf. for example Council 1999 No 1783/1999; Council 2006 No 1083/2006; cf. European Commission DG Regional Policy presentation 2012 (a)). Generally speaking, the regulations that relate to INTERREG have become increasingly strict from one program period to the next (cf. CEC 1990 No 90/C 215/0; CEC 1997 No 2064/97: 1-7) due to withdrawal of the European Commission from direct project decision-making and later from direct program management, as explained before.¹⁸⁵ However, in addition to this general withdrawal of

¹⁸⁵ In the pilot phase of INTERREG (1989/90) when there was no program, the European Commission decided on the project allocation, but with the start of introducing the program structure under the INTERREG I program (1990), the European Commission was no longer solely responsible for approving projects, but worked with other levels of governance involved in

the European Commission from direct participation in the programs, new requirements were introduced. For example, for the cross-border INTERREG programs, the obligation to monitor and report became more prescriptive and several evaluation moments were introduced (ex ante, mid-term and ex post), as described in section 7.2 in the context of 'police patrol oversight'. Financial absorption was also incentivized through a further rule known as the n+2 rule (cf. Barca 2009: 76).

In accordance with the Commission's regulations and as a general requirement for the Structural Funds, the Dutch-German program partners of the two member states were required to set up an Operational Program and a 'Description of the Management and Control Systems' which was subject to the approval of the European Commission before the program could start (cf. JTIS 2008). In the case of the Dutch-German joint INTERREG program, the approval of the European Commission does not usually take much time because this program applies a 100% control unlike other European border-region programs. A 100% control means that all spending in the program is controlled and there is no need to establish a control strategy in which certain controls are conducted systematically.

At the end of a program period, a final report must be submitted to the European Commission from the national level. This report should include a description of the controls and audits that been carried out, which projects have been controlled and how the approved methods of control have been applied. The European Commission analyses these reports and is entitled to carry out 'spot checks' for up to two years after the end of the program.¹⁸⁶ In the Dutch-German INTERREG program, in which four Euregions operate jointly and are coordinated by one Joint Technical INTERREG Secretariat (JTIS) and one joint Monitoring Committee, forthcoming program periods are usually prepared very carefully. There are several group meetings at which representatives of the program partners at the subregional, regional and national level

the program (cf. Regio Rijn-Waal 1991: 23). Until the end of INTERREG I (1991-1993), the European Commission participated in the Steering Committees for project decisions. Until the end of the INTERREG II period (1994-1999), the European Commission had a decisive seat on the Monitoring Committee for decisions concerning programs as a whole, while it no longer participated in the Steering Committee meetings (cf. ERW 1994: 52). With the start of INTERREG III (2000-2006), the Commission retreated a step further from the program in that it only attended Monitoring Committee meetings as an advisory observer (cf. JTIS 2000: 98f).

¹⁸⁶ 'Spot checks' take place mainly for 'high-risk programs' as defined by the DG Regional Policy. The Dutch-German border-region does not belong into that category.

come together to work on the future Operational Program for the upcoming funding period, as explained earlier. The results of these meetings is a finished Operational Program that already meets the requirements of the European Commission as well as the additional requirements set by subregional, regional and national program partners. Officially, those extra requirements are agreed by consensus, but it is obvious that the various levels of governance working together in the Dutch-German INTERREG system each have their own agenda and the final version of the Operational Program includes compromises between the different levels involved.

The 'partnership principle' is also evident in the Dutch-German border-region. The three authorities for the current INTERREG IV program are located as follows: the Managing Authority belongs to the *Ministerium für Wirtschaft, Mittelstand und Energie des Landes Nordrhein-Westfalen*, the Certifying Authority belongs to the Ems Dollart Region and the Audit Authority is the *Finanzministerium des Landes Nordrhein-Westfalen*. These carry out the tasks explained in section 7.1 (JTIS 2008: 20, 50, 55; cf. CEC 2009).

Funding for the Dutch-German INTERREG program is provided as 'matching grants'. All Structural Funds are basically 'matching grants', which means that the European Funds do not finance the whole program or whole projects conducted within a particular program (see also section 7.1). In general, EU support must be co-financed with national public or private funding (cf. Bachtler and Wren 2006: 144). The percentage of European money and the percentage that comes from co-financing from the program and/or project partners will differ between programs. For the Dutch-German INTERREG program, the program partners agreed to fund 50% of the total amount. The other 50% of the projects and thus also of the whole program is co-financed by the subregional, regional and national project partners. Because Dutch, German and European money is involved, the Dutch-German program is currently subject to three forms of control, and the German '*Landeshaushaltsskontrolle*' is the strictest form of control. As mentioned earlier, 'matching grants' can be seen as an indirect control mechanism for this particular program, because of the strict German controls on spending from the Dutch-German and European budget.

With regard to other control mechanism in the PA literature – 'monitoring the Agent's actions' (see section 7.2) – in this Dutch-German case study, it is clear that 'police patrol

oversight' takes place here, in view of the multiple evaluations before, during and after the end of a program. Furthermore, under the 'police patrol control', the program and its controllers are supervised by the Monitoring Committee in the Dutch-German INTERREG program. However, this mechanism has gradually changed over the course of the different program periods and can be viewed primarily as a direct consequence of the changing constellation of the Monitoring Committee and the withdrawal of the European Commission from direct decision-making relating to the projects (since the start of the INTERREG II period) and its withdrawal from being directly involved in decisions concerning the program (since the start of INTERREG III period) (cf. EUREGIO 2002: 18; JITS 2000: 98; cf. Regio Rijn-Waal 1991: 23). Since 'police patrol oversight' can only be regarded as part of the 'programming principle', the gradual withdrawal by the European Commission can only be explained as a withdrawal from that 'programming principle'. This development shows that responsibility for the implementation of INTERREG is delegated to actors at the national level who, together with the subregional and regional INTERREG program partners on each side of the Dutch-German border, are responsible for enforcing control mechanisms – including two of the three mandatory evaluations – in the INTERREG system.

The second tool used to monitor the actions of the Agents (see section 7.2) is the 'fire alarm mechanism' which has not so far been applied directly to the Dutch-German border-region program. In very general terms, the special report of the ECA mentioned general issues concerning the INTERREG program but nothing that related specifically to the Dutch-German border (cf. ECA 2004). Since the Dutch-German INTERREG program serves as a kind of role model in Europe and trust between desk officers and the subregional, regional and national program partners has increased through years of good cooperation between all levels of governance, the European Commission rings the alarm bell in case something could happen, for example missing the deadline for the strict n+2 rule, an issue which was discussed by the program partners during the INTERREG III period. However, in general terms, the 'fire alarm' mechanism has so far not been applied to the Dutch-German INTERREG program.

In conclusion, decision-making authority over project applications has been enhanced at the national, regional and subregional levels, and control responsibilities have been made more rigorous for the program as a whole, as explained earlier. In addition to this

development, the European Commission has also charged the relevant national actors with setting up additional oversight mechanisms and added extra requirements for the approval of INTERREG projects to guarantee that the program is conducted appropriately (cf. CEC 1997 No 2064/97: 2f; CEC 2000 (b) No 2000/C 143/08: 12; CEC 2004 (b) No 2004/C 226/02: 8). As explained above, setting up extra control rules that are stricter than those prescribed in the regulations is allowed (cf. CEC 1997 No 2064/97: 2). Such additional national-level requirements on controlling and project selection generally promote the avoidance of mistakes and enable the program to focus on the priorities of the particular member states. For example, the 100% control of the Dutch-German program that is conducted means that a high error rate can be avoided (cf. interview 1 2012). However, this 'over-fulfilment' in terms of control mechanisms has important negative side-effects, such as a growing administrative burden especially on the end-users of the program. For example, project applications involve considerable time and administrative effort during and after the project, as well as generating a great deal of paper work, mainly due to the controlling (cf. interview 14 2009).

7.4 Summary

This chapter has focused on the extent to which the theoretical framework of this dissertation is a useful one for analyzing the Dutch-German case study. Very generally, the MLG approach is used in this case study to define the levels of governance working together in this Dutch-German program (see also section 3.1.1.). The MLG approach helps mainly to elaborate on the horizontal cooperation which exist between authorities on both sides of the border. In The Netherlands and in Germany in particular the authorities for the involvement and implementing of the program lay at different national governmental levels and that is why for example the German regional '*Bundesländer*-level' works with nearly the same authority in the program as a partner together with the Dutch-national level.

In order to explain the shifts of authority and the development over time, the PA approach proved to be a useful tool to answer why the administrative burden in the Dutch German cross-border cooperation has increased and explain the nature of the developing relations between involved actors. In order to do so however, the

combination with the MLG approach is vital since the latter first identifies the levels between which authority is shifted.

This dissertation focuses on two shifts of authority; the 'first shift of authority' or 'supranationalization shift', took place when the European member states delegated policy-making authority to the European Commission. The MLG approach emphasized the importance of this development for European cooperation. It is however the 'second shift of authority' or 'renationalization shift', involving the delegation of authority from the European Commission – as a 'new Principal' – back to the national, regional and subregional levels – that shows the usefulness of the combined MLG-PA approach. After this shift, the bureaucratic burden of the programs increased steadily for the 'new (multiple) Agents' at subregional, regional and national levels of governance.

The involvement of the 'new Agents' that increased as the 'renationalization shift' occurred, has led to increased complexity in cross-border governance, partly as the new controls and monitoring procedures imposed by the European Commission as a 'new Principal' have been implemented, and partly through their own 'overfulfillment' of the European rules. This mechanism can be explained as follows: in delegating responsibility to 'new Agents', the European Commission has established various control mechanisms and oversight procedures in order to ensure that the programs were implemented in the regions according to the regulations put in place by the Commission. Those control mechanisms are mainly implemented at the national level. However, it is not only the European Commission that enhances its control and oversight mechanisms; the national program partners have done so too. The national level has added extra requirements, not just because the program regulations allow this, but also in order to tailor cross-border projects to meet national policy priorities.

This chapter focused on the practical consequences of the four basic principles of the European Structural Funds which are applied also in the Dutch-German program, the 'concentration-', 'additionality-', 'programming-' and 'partnership-principle' and it has been elaborated how two of the four control mechanisms of the PA literature can be applied at the Dutch-German program: Firstly, designing the Agents contract and secondly monitoring the actions of the Agent. Very generally due to establishing an

Agents contract the actions for monitoring can be determined. Next to the 'drift' of the multiple 'new Agents' which was explicitly allowed by the Principal of the European Commission to insert extra requirements on the program (see also section 6.6.1) it is mainly the monitoring, controlling and reporting conducted on all involved governance levels, but especially on the level where the program is conducted practically – in the border regions – which increased over the several program periods and that is why the administration burden increased especially for the end-beneficiaries of the program.

8. Conclusions

European integration does not only imply intergovernmental cooperation between states, as occurred in the years shortly after the Second World War. What makes European cooperation such a unique process is the existence of supranational institutions, specifically the European Commission, to which the member states have given policy-making authority. During the process of European integration – which began as early as the 1950s – the European Commission and its predecessor the High Authority of the European Coal and Steel Community became to a large extent responsible for developing and implementing European regional policy.

The importance of a European regional policy within the post-war European project was made clear by Hallstein in the early 1960s, when he stated that regional policy is not a policy which could be set alongside monetary policy, agricultural policy and infrastructural policy, or tax policy, economic policy and trade policy, but that it penetrates all sectors and he emphasized the relationship between the economic and regional dimensions. It is thus no surprise that the aim and the intention of the European regional policy of the original six member states was in the first place to reduce economic and social disparities between the various regions of the European Union. Indeed, the Treaty of Rome stated its preamble that harmonious development of the economies could be achieved “by reducing the differences between the various regions and the backwardness of the less favoured regions”.

Over the years however, this historic effort has suffered increasingly from the strains of growing bureaucratic complexity that forms a burden to the day-to-day implementation of cross-border initiatives. The European Commission as well as other involved actors in cross-border governance are well aware of this problem, which formed the starting point of the research project. Significantly, the European Commission, which is ultimately responsible for the work of EU funds, actively raised the issue in preparing for the program budget starting in 2014. In a special publication called “Simplifying Cohesion Policy for 2014-2020” the Commission started with the straightforward comment that “Simplification has been one of the most popular demands for the new cohesion policy”. At least concerns about the growing bureaucracy involved in cohesion policy in general, and cross-border cooperation in particular found a listening ear in Brussels. This

dissertation does not so much look at the solutions the European Commission may present, but focused on finding an explanation of the nature of the problems by looking at how relations between actors involved changed over time.

In the case of the Dutch-German INTERREG program – a program that was conducted in the framework of the European Regional Development Fund, as established in 1975 in order to conduct European regional policy – one sees not only nation states delegating decision-making authority to the European Commission as part of the wider process of European integration, and enabling the EU to shape their cross-border policies, but we also witness the European Commission, in turn, delegating decision-making authority to actors at the national and subnational levels just as national governments had previously done.

To explain these complicated relationships, this dissertation used a combined Multi Level Governance – Principal-Agent model (MLG-PA model) to analyze cross-border cooperation to explain the reasons for the growing administrative complexity in this field. This approach has proved fruitful, since it has revealed how inter-institutional relationships at different levels of cross-border governance may be understood in terms of changing oversight and control mechanisms, leading to a more complex cross-border governance structure. Whereas the MLG approach enables us to understand general shifts in authority between all relevant actors at the various levels of governance involved, the PA approach has given us more insight into what characterizes the relationships between these actors. While the MLG approach is mainly used to define the levels of governance involved and elaborated the horizontal cooperation between the levels of both countries, the ‘shifts of authority’, especially the second shift or renationalization shift when authority is shifted (back) from supranational level to national, regional and subregional levels of governance can most optimal be explained with the a combined MLG-PA approach. A combined approach has reinvigorated the strengths of both the MLG approach and the PA approach since it has shown that not only do many shifts in governance take place across the various levels of governance, they have also resulted in actors that play the role of a Principal and an Agent at the same time. The wider scope of a combined approach has made it possible to conduct a more in-depth analysis of my case study of multilevel governance, in which a multitude of actors have become ever more interrelated over time.

In the case of the Dutch-German cross-border cooperation, two 'shifts of authority' have taken place. In this dissertation, these 'shifts of authority' have been called the 'supranationalization shift' (or the 'first shift of authority') and the 'renationalization shift' (or the 'second shift of authority'). The 'first shift' started within the early development of European integration since the end of the World War II. However, it is the 'second shift' that is of particular interest in analysing this case study. This basically started with the introduction of the European Regional Development Fund in 1975. Under this 'renationalization shift', the European Commission has created new Agents to perform tasks on its behalf as the new Principal. Just as the member states did when acting as the 'original Principals', the European Commission also seeks to monitor its newly created Agents by putting in place oversight procedures to maintain control over the program. It has assumed the role of a supervisor rather than participant. The other program partners involved at the participating levels of governance have enjoyed increasing leeway to implement the programs, provided they have done so according to the basic principles of European Structural Funding.

This process, in which an Agent may act as a Principal and create new Agents, can only be explained by using an analysis that combines the Principal-Agent mechanisms of the PA approach with the multiple-level and multiple-actor MLG approach. A combined MLG-PA approach leaves room for such a development, whereas a purely MLG approach, (in which authority generally transfers away from national actors) or a purely PA approach (in which the Principal-Agent relationships always go in one direction) would have been too limited.

As this study shows, the discussion among MLG scholars on the question of whether, in the end, national actors are losing authority through the process of growing European governance or have in fact been able to maintain a central position is less relevant than the conclusion that, in the process of ongoing European integration, policy-making is becoming ever more dispersed between a range of actors that operate as both Principals and Agents. In the end, it is not so much a question of who is in the driving seat, but showing empirically that through the development of the INTERREG program, responsibilities and tasks have increasingly become diffused across all the levels involved.

However, to a certain extent, the case study does show that in a sense, national actors have indeed 'regained' authority over cross-border cooperation. However, to conclude that national actors have 'regained' the authority they previously lost would be an oversimplification. Given that regional policy and European cross-border cooperation have developed against a backdrop of years of European integration and taken the form of a system of Multi-Level Governance, any increased role for national actors needs to be seen firmly in this context. National oversight institutions increasingly control whether European money is being spent properly in border regions and report their findings to the European Commission, which still has formal responsibility for these projects and programs. In this context, it is also interesting that the member states, as new Agents, have not so much 'taken back' some of the competences that they once ceded, but that they have received fresh authority from a new Principal, the European Commission. Almost as if to emphasize this point, the new supranational Principal, the European Commission, has actually enabled the new Agents, the other levels of governance involved, to develop the so-called 'bureaucratic drift' described in PA literature. Accordingly, the Agents have developed their own vision of what their mandate is or ought to be, and have begun to pursue their own interests or try to expand their tools and influence. Authority for decision-making, implementation and control has been delegated to the national level and the national level is also able to impose additional requirements on the program, because the regulations for implementing INTERREG enable this. In addition, the Commission itself has enhanced its own system of control by putting in place 'automatic rules' such as the n+2 rule.

In this case study, this means that on the one hand the national level draws up some of the project rules and monitors the overall progress of the program but on the other hand it helps take concrete decisions about whether or not European INTERREG money should be spent on project applications. This means that the national level not only partly controls the process but also plays an active part in the decision-making process.

Here, we can see that the division of responsibilities in INTERREG has changed over the successive program periods, as have the oversight and control mechanisms. The national level together with the subregional and regional program partners have clearly added extra requirements to the INTERREG program, particularly since the start of INTERREG IV/European Territorial Cooperation (2007), while the supranational level is

no longer directly involved in program-level decision-making since the start of INTERREG IIIA (2000). However, the European Commission still has final responsibility and may apply sanctions when cross-border activities are mismanaged. Interestingly, the Commission has been able to enhance oversight mechanisms on nation states even though the same national actors have gained a relatively greater say in INTERREG decision-making on cross-border cooperation, because the Commission has retreated from the decision-making committees.

This process has led to a situation in which European rules for the INTERREG program at the Dutch-German border are 'over-fulfilled' and extra requirements have been added to the program. The German controls in particular go above and beyond the European requirements and constitute a considerable administrative burden for 'end users', project partners in the border regions. In short, due to the development of the multiple and multilevel Principal-Agent relationships between the European Commission and the other levels of governance involved and due to the extra national requirements for the overall program and particularly for the projects, project realization is in reality much more complicated than European regulations might imply.

In sum, there are multiple Principal-Agent relationships in European cross-border cooperation and these relationships have become more complex over time as actors have acted both as Principals and as Agents simultaneously. Here, the national and supranational levels have increased their administrative requirements and the increasing administration and complexity can be explained mainly through increased controls. This growth in controls is because the actors on the 'stage' of European cohesion policy, and thus the circuit of the Structural Funds, have become very diverse and each actor (which are the levels of governance and the participating organizations themselves) are responsible for controlling compliance with their own regulations if they are involved with money or personal staff. In fact, the Principal-Agent relationships throughout the separate Structural Funds have become ever more dispersed and diffused. Each participating level may want to see itself as a Principal, but in reality they are often also Agents.

The controlling of the program can be regarded also as a method of communicating results and progress to the Commission, which is no longer directly involved in the

programs. In addition to this, complexity also stems from the fact that working across borders not only means that several levels of governance are involved, but also that several different actors with different national competencies on both sides of the border. Each authority involved has its own priorities and strategies that cross-border cooperation has to fit with, otherwise those authorities will find it difficult to be involved in the program, especially when cofinancing is required.

In the end, however, for participants in cross-border projects, this development also means an increased administrative burden since they have to comply with ever more rules imposed by ever more authorities involved. In order to address this issue, the entire body of European cross-border governance would need to be simplified, either by a process in which authority again becomes more concentrated or through more clearly structured control mechanisms. Given the conclusions of this research, the former seems unlikely. The latter may be difficult but is not necessarily impossible. It would require more cooperation by the actors involved and a consensus that, in the end, creating an environment for successful cross-border cooperation projects should have priority.

Annex 1: Project-criteria INTERREG I (1991-1993) and INTERREG II (1994-1999) in the case of the Euregio Rhine-Waal

Within the INTERREG I period, the projects had to fulfill the following criteria in order to get funded:

- (1) The projects had to have a direct cross-border element
- (2) had to be balanced divided through the region and have an impact on a larger scale above local community level
- (3) had to make a contribution to the improvement of the economic structure and had to improve the employment-opportunities within the region
- (4) had to be substantially financed from the region itself whereby the EC-financing was considered additional funding
- (5) the project had to focus on the use of regional potentials and on the development of promising starting points
- (6) the project had to be ready to be implemented as much as possible, because the projects had to be completed within the quite short period of INTERREG I (Regio Rijn-Waal 1990: 23).

These six quite general criteria were concretized into more detail within the next Operational Program for the INTERREG II period. Within the OP of *INTERREG II* the ERW it says that projects that wanted to be funded had to fulfill eight basic criteria, which were compared to the INTERREG I period more concrete:

- (1) the project had to contribute towards the aims of this INTERREG program and its priorities, with the focus on the improvement of the economic structure of the border region and on the basis of sustainability
- (2) the cross-border character of the project had to be significant and presented in terms of concrete participations from actors at both sides of the border
- (3) the project should the entire Euregio as much as possible
- (4) the project should be in conformity with the criteria of the national and regional “policy programs already implemented in the region and the project should – if possible – be placed in the context of or in synergy with the objective 2 and 5b
- (5) aid to commercial cooperation projects is only possible if the European Commission had approved it in the framework of competitiveness

(6) the eligible costs of the projects were preferably at least 100.000 ECU and never less than 50.000 ECU;

(7) the cofinancing – including the contribution of the project participants – had to be guaranteed and

(8) the project had to be conducted (practically and financially) within the fixed time-period of the program (ERW 1994: 53)

Within the INTERREG IIIA and IV program periods, the project-criteria increased at first sight. Within the INTERREG IIIA program in total 18 points of criteria are listed in the OP, however under these 18 points a few very general things are enclosed, as creating sustainability (points 7 and 9) or having advantageously effects for the environment or the employment-market situation (points 3, 6 and 8) (JITS 2000: 106-107). In the INTERREG IVA/ETC-program period, in total 12 project-criteria are listed in the OP, whereby a few criteria have divisions in separate subpoints. The criteria are nearly the same as the criteria of the previous period. There is just one new point of criteria added, that is that the results of the projects proved with clear and measurable indicators (JITS 2007: 100, point 8; cf. interview 10 2012).

Annex 2: List of interviews

- Interview 1: INTERREG/ETC program manager at the Dutch-German program (2012): 01.06.2012
- Interview 2: Former INTERREG I-III program manager at Dutch EZ (2009): 30.03.2009
- Interview 3: Former INTERREG I-III program manager at Dutch EZ (2010): 02.02.2010
- Interview 4: Former INTERREG I-III program manager at German MWEBWV (2009): 16.04.2009
- Interview 5: Former president of the AEBR (2009): 03.04.2009
- Interview 6: ETC program manager at DG Region, European Commission (2010): 15.07.2010
- Interview 7: ETC program partner (Lower Saxony) (2010) (telephone): 26.11.2010
- Interview 8: Former INTERREG IIIA program manager, DG Regional Policy, European Commission (2009) 04.05.2009
- Interview 9: Former INTERREG III/ETC program manager, DG Regional Policy, European Commission (2009) 05.05.2009
- Interview 10: Civil Servant responsible for quality in cross-border programs, DG Regional Policy, European Commission (2012): 19.03.2012
- Interview 11: Former INTERREG I-II program manager Dutch EZ and responsible for establishing the first Dutch-German programs (2009): 15.04.2009
- Interview 12: Civil servant responsible for Dutch mainstream-programs, DG Regional Policy, European Commission (2012): 29.02.2012
- Interview 13: INTERREG/ETC project participant, partner or applicant (2009): 09.12.2009
- Interview 14: INTERREG/ETC project participant, partner or applicant (2009): 09.12.2009
- Interview 15: INTERREG/ETC project participant, partner or applicant (2009): 09.12.2009
- Interview 16: INTERREG IIIA-ETC project coordinator at one Dutch-German Euregion (2012): 11.07.2012
- Interview 17: Europarliamentarian (2012) 06.03.2012
- Interview 18: INTERREG/ETC program manager in the Dutch-German program (2009): 02.04.2009
- Interview 19: INTERREG/ETC program manager at one Dutch-German Euregion (2012): 17.07.2012
- Interview 20: Europarliamentarian (2010): 12.07.2010
- Interview 21: President of AEBR (2012): 03.04.2009
- Interview 22: Head of Unit, DG Regional Policy, European Commission (2010): 15.07.2010
- Interview 23: INTERREG/ETC program manager at Dutch '*Provincie*' (2010): 09.08.2010
- Interview 24: Civil servant, European Court of Auditors (2010) (telephone): 30.09.2010
- Interview 25: INTERREG program manager at one Euregion (2009): 01.04.2009

- Interview 26: Civil servant responsible for European Structural Funds at one representative of a German *Bundesland* in Brussels (2012): 22.03.2012
- Interview 27: Civil servant at a Dutch *Provincie*, formerly involved in INTERREG I and II (2009): 06.03.2009
- Interview 28: Civil Servant at the Dutch *Ministerie van Binnenlandse Zaken* (2010): 02.07.2010
- Interview 29: Member of the '*Landtag*' of North Rhine-Westphalia, responsible for (among others) structural policy (2012) (telephone): 07.03.2012
- Interview 30: Extern advisor formerly involved in INTERREG I-III (2009): 03.02.2009
- Interview 31: INTERREG/ETC program manager at German '*Bundesland*' Lower Saxony (2012) (telephone): 15.05.2012
- Interview 32: Civil servant responsible for European Structural Funds at one representative of a German *Bundesland* in Brussels (2012): 27.03.2012
- Interview 33: INTERREG project participant, partner or applicant (2011): 13.07.2011
- Interview 34: Head of Unit, DG Connect, European Commission (2009): 05.05.2009
- Interview 35: Civil servant at representation of Germany in Brussels, responsible for (among others) European structural policy (2012): 14.03.2012

Interviews as background information

- Interview 36: Civil servant, *Huis van de Nederlandse Provincies* (2012) 08.03.2012
- Interview 37: Civil servant, *Huis van de Nederlandse Provincies* (2012): 22.03.2012
- Interview 38: Civil servant, European Court of Auditors (2010) (telephone): 22.06.2010
- Interview 39: Double interview with civil servants, responsible for bilateral relations within the European Union, Benelux-cooperation and interregional cooperation, *Staatskanzlei* North Rhine-Westphalia (2010): 26.10.2010
- Interview 40: Double interview with civil servants responsible for mainstream-programs of Germany and the Netherlands, European Commission (2012): 29.02.2012
- Interview 41: Civil servant responsible for international relations between the Netherlands and Germany, *Provincie Overijssel* (2012) (telephone): 15.03.2012
- Interview 42: Double interview with civil servants from the *Landesvertretung* North Rhine-Westphalia and the *Huis van de Nederlandse Provincies* (2012): 28.03.2012
- Interview 43: Civil servant of the '*Bundesland*' North Rhine-Westphalia at the Benelux-Union (2012): 20.03.2012
- Interview 44: Europarlamentarian (2012): 30.07.2012

- Interview 45: Civil servant, former responsible for bilateral relations within the European Union, Benelux-cooperation and interregional cooperation, *Staatskanzlei* North Rhine-Westphalia (2010) (telephone): 30.11.2010
- Interview 46: Double interview with civil servants, *Huis van de Nederlandse Provincies* (2012): 08.03.2012

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www.edr.eu

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SEA Single European Act 1987

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TEU/ Treaty of Maastricht 1992

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CEC Commission of the European Communities (2002) Consolidated version of the Treaty establishing the European Community.

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Nederlandstalige samenvatting

Deze dissertatie bestaat uit twee hoofdelementen. Aan de ene kant staat het empirische deel, het onderzoek naar de ontwikkeling van de Nederlands-Duitse grensoverschrijdende samenwerking en aan de andere kant staat de analyse van deze empirische ontwikkeling door middel van een theoretisch model.

Het onderzoek heeft tot doel de over de jaren toenemende complexiteit in de uitvoering van het financieringsprogramma voor grensoverschrijdende samenwerking van de Europese Unie *INTERREG/Europese Territoriale Samenwerking (ETS)* te verklaren aan de hand van de samenwerking in de Duits en Nederlandse grensregio's. Om de historische ontwikkeling van de Europese integratie met betrekking tot het Europees regionaal beleid en de grensoverschrijdende samenwerking in kaart te brengen, werd in het onderzoek archiefwerk vooral in Brussel, maar ook bij de Euregio's en bij de regionale en nationale overheden verricht. Voor de ontwikkeling vanaf 1989/90 en voor het schetsen van de huidige situatie werden bijna 50 interviews gevoerd met actoren op de verschillende in de grensoverschrijdende programma's samenwerkende beleidsniveaus.

Omdat de grensoverschrijdende samenwerking aan Duits-Nederlandse grens als een van de eerste in Europa door lokale initiatieven, in de vorm van bijvoorbeeld grensoverschrijdende werkgroepen, werd opgezet, is deze in vergelijking met vele andere samenwerkingsvormen aan de binnengrenzen van Europa relatief ver ontwikkeld. De structuren en organisaties voor de doorvoering van grensoverschrijdende samenwerking bestonden in deze grensregio's al lang voordat Europese middelen hiervoor werden ingezet. De samenwerking aan deze grens geschiedt door decentrale resp. lokale organisaties in samenspel met regionale en nationale actoren.

Wanneer we kijken naar de ontwikkeling van de Europese Integratie zien we niet alleen samenwerking tussen landen. De Europese Integratie is in de loop van tijd, beginnend na de Tweede Wereld Oorlog, tot een uniek proces geworden, waarin subnationale en supranationale instituties zijn ontstaan. Deze instituties kregen van de lidstaten door de jaren heen meer en meer autoriteit overgedragen. Toen in 1975 het *Europees Fonds voor Regionale Ontwikkeling (EFRO)* werd opgericht met het doel om het Europese

regionaal beleid een instrument te geven, zien we dat aan de ene kant Europese lidstaten autoriteit aan de Europese Commissie toekenden, maar aan de andere kant tevens dat de Europese Commissie op haar beurt in de daarop volgende jaren autoriteit gaf aan de lidstaten, omdat de projecten en de latere programma's binnen het *EFRO* werden doorgevoerd door de lidstaten zelf.

Deze dissertatie kijkt in het bijzonder naar de start van de Europese stimulering van grensoverschrijdende samenwerking in het jaar 1989/90 met de introductie van het *INTERREG*-initiatief (een programma dat binnen het *EFRO* werd opgezet). Bij de introductie van dit programma was de achterliggende gedachte dat overheidsinstellingen aan beide kanten van de grens samen zouden moeten werken, aangezien zij met dezelfde problemen en moeilijkheden geconfronteerd zouden kunnen worden en dat de regionale economieën aan beide kanten van de grens zouden kunnen profiteren van meer grensoverschrijdende samenwerking. Dit idee was echter niet nieuw, er bestonden reeds sinds het midden van de jaren 1950 ideeën, initiatieven en samenwerkingsverbanden aan de Nederlands-Duitse grens. De Nederlands-Duitse Euregio's werden in de tijd van 1958 tot aan 1978 opgericht en tot aan de dag van vandaag bestaan er aan deze grens vier Nederlands-Duitse en een Nederlands-Belgisch-Duitse Euregio.

Het Europees financieel programma waarmee deze Euregio's werken heet sinds 2007 *Europese Territoriale Samenwerking (ETS)*, maar begon kleinschaliger met het *Communitair Initiatief INTERREG*. Kort samengevat heeft het de Europese grensoverschrijdende samenwerking tot aan het huidige programma vier programmaperiodes doorlopen: *INTERREG I* (1990-1993), *INTERREG IIA* (1994-1999), *INTERREG IIIA* (2000-2006) en *INTERREG IVA/ Europese Territoriale Samenwerking (ETS)* (2007-2013). Het huidige programma *INTERREG V/ ETS* is in 2014 begonnen en eindigt 2020.

Het maatschappelijk belang van dit onderzoek zit vooral in de groeiende zorg over de manier waarop Europees regionaal beleid van grensoverschrijdende samenwerking in de grensregio's wordt omgezet en hoe dit over de verschillende programma-periodes heen is veranderd. Als concrete aanleiding kunnen de toenemende bezwaren van uitvoerende projectpartners in de grensoverschrijdende projecten worden gezien ten opzichte van de steeds ingewikkeldere en arbeidsintensievere administratie- en

controlesystemen maar ook bijvoorbeeld door een steeds langere goedkeuringsprocedure voor de projecten. Door de toename van benodigde tijd, expertise en arbeidskracht voor de administratieve kant van projectrealisatie, neemt de kans dat steeds weer dezelfde organisaties subsidieaanvragen opstarten, toe. Voor organisaties en instituten die vertrouwd zijn met de complexe regelgeving is het makkelijker om een inschatting te maken over de kosten en baten van een aanvraag. Bovendien zijn ook de wegen van de subsidieaanvraag en projectbewerking bekend. Ook ziet men dat in toenemende mate gespecialiseerde ondernemingen de aanvragen voor de projectdragers in de hand nemen en zowel tijdens de projectlooptijd als ook voor de afsluiting van de projecten de administratie door de projectaanvrager aan dergelijke ondernemingen wordt uitbesteed. Deze ontwikkeling mag dan binnen de alledaagse uitvoering van Europees beleid niet als iets bijzonders worden gezien, maar staat wel in groot contrast met de begintijd van de Nederlands-Duitse samenwerking toen lokale 'bottom-up' initiatieven werden opgericht met het doel de praktische problemen, die het leven in de grensregio's met zich mee bracht op te lossen en om de levensomstandigheden in de grensregio's te verbeteren door middel van vaak kleinschalige acties en contacten.

De huidige discussies over een mogelijke simplificatie van Europese subsidieprogramma's wordt overigens niet alleen in de Duits-Nederlandse grensregio's gevoerd, maar geldt ook voor andere Europese subsidie-programma's en heeft inmiddels ook gehoor gekregen bij de Europese beleidsmakers in Brussel. Uit sommige interviews, die in het kader van dit onderzoek in Brussel werden gevoerd, werd duidelijk dat politici en beleidsmakers zich deels ook afvragen of de verzwarende regelgeving binnen het programma van de *ETS* niet door de Europese Unie maar juist door de lidstaten zelf is opgelegd. Men is zich ervan bewust, dat Europese lidstaten een bepaalde mate aan vrijheid hebben om de Europese programma's te implementeren. Desalniettemin erkent men in Brussel ook het probleem van de administratie en toenemende controle. Daarom is men binnen de Europese Commissie onder andere op zoek om effectieve controle mechanismen op te stellen en het gehele stelsel van subsidieprogramma's te vereenvoudigen.

Om de complexe verhoudingen in de ontwikkeling van de grensoverschrijdende samenwerking aan de Duits-Nederlandse grens nader te verklaren is gekozen voor een

theoretisch kader bestaande uit een combinatie van het *Multi-Level Governance* en het *Principal-Agent* model (*MLG-PA* model). Door middel van dit gecombineerde model kan worden verklaard hoe de inter-institutionele verhoudingen tussen de verschillende beleidsniveaus op het gebied van grensoverschrijdende samenwerking begrepen kunnen worden. Met name de verandering in administratie en controle mechanismen die een complexe beleidsstructuur met zich meebrengt kan hierdoor verduidelijkt worden.

De basis van de het *MLG* model is de aanname, dat besluitvormingsautoriteit in Europa sinds eind van de jaren 1950s zich steeds meer over de verschillende beleidsniveaus verspreidde en dat traditionele theoretische benaderingen, waarin de intergouvernementele samenwerkingen tussen staten centraal staat, niet langer toereikend zijn. De belangrijkste assumptie van het *MLG* model is dus dat besluitvormings-competenties gedeeld worden door actoren op verschillende beleidsniveaus zowel binnen als tussen deelnemende lidstaten. In de literatuur concentreert een deel van de discussie zich daarbij op de vraag in hoeverre deze diversificatie van besluitvormingsautoriteit heeft geleid tot een afname van de invloed van nationale overheden op het proces van Europese integratie.

In de casus van de grensoverschrijdende samenwerking met Europese middelen kan het *MLG* model worden toegepast, omdat hier zowel een decentralisatie van besluitvorming naar het subnationale (regionale en lokale) beleidsniveau kan worden geconstateerd als ook een centralisatie naar het supranationale (Europese) beleidsniveau. Kortom, door middel van het *MLG* model kunnen de afzonderlijke beleidsniveaus worden geïdentificeerd en de overdracht van autoriteit en besluitvorming in het kader van de ontwikkeling van de Europese Integratie zichtbaar worden gemaakt. Wat in het *MLG* model echter ontbreekt, is een verklaring waarom bepaalde interacties tussen de verschillende betrokken beleidsniveaus plaatsvinden en hoe deze interactie concreet is vormgegeven. Een nadere analyse van de interactie tussen de actoren op de verschillende samenwerkende beleidsniveaus kan ertoe bijdragen de vraag naar de toegenomen complexiteit te beantwoorden. Om die reden werd een tweede theoretisch model aan het theoretisch kader van dit onderzoek toegevoegd: Het *Principal-Agent* model.

De *Principal-Agent (PA)* benadering baseert op het principe dat als twee partijen in een *PA* relatie samenwerken, de ene partij als *agent* fungeert, die in de naam van de andere partij, de *principal*, opdrachten uitvoert of taken waarneemt. De *principal* besteed feitelijk taken of werkzaamheden uit aan de *agent*. Door middel van het *PA* model is het mogelijk om nauwkeuriger te kijken naar hoe de relaties in de overdracht van autoriteit tussen de betrokken beleidsniveaus er precies uitzien. De redenen voor een overdracht van autoriteit kunnen divers zijn, zoals een te kleine personele capaciteit van de *principal* of niet genoeg kennis over een bepaald werkterrein. De *agent* wederom probeert juist door zijn expertise en zijn werkzaamheden zoveel mogelijk naar zijn eigen voorstellingen door te voeren. Hier kan op den duur een asymmetrische verhouding ten gunste van de *agent* ontstaan. In de *PA* literatuur wordt over een “shirking” en “slippage” gesproken. In geval van “shirking” ziet men dat de *agent* steeds minder moeite doet bij de doorvoering van de taken die hem zijn opgelegd en in het geval van “slippage” ziet men een *agent* die in toenemende mate zijn eigen agenda maakt. Om een dergelijke asymmetrie te voorkomen, heeft de *principal* mechanismen ontwikkeld, die de *agent* controleren. Kortom, de ene beleidsactor, de *principal*, staat autoriteit af aan een andere actor, de *agent*, en probeert deze vervolgens te sturen zodat de *agent* niet afwijkt van zijn oorspronkelijke taken of opdrachten. Deze sturing geschiedt vaak door allerlei controlemechanismen die daarmee als indicator gelden van een toenemende diversificatie van beleidsautoriteit ten aanzien van de grensoverschrijdende samenwerking.

In de casus van de Nederlands-Duitse grensoverschrijdende samenwerking zien we dat in algemene zin twee belangrijke processen hebben plaatsgevonden, waarin er sprake was van een overdracht van autoriteit tussen verschillende beleidsniveaus. De eerste overdracht van autoriteit vanuit de lidstaten (als *multiple principals*) naar Europese instituties (als *agents*) vond plaats in de algemene ontwikkeling van de Europese Integratie en wordt in deze dissertatie “supranationalization shift” genoemd. De in deze dissertatie beschreven “renationalization shift”, doelt op de overdracht van autoriteit vanuit de Europese instellingen (als *nieuwe principals*) aan de lidstaten en regio’s (als *nieuwe agents*) die later in de ontwikkeling van de Europese Integratie heeft plaatsgevonden. Door deze ontwikkeling functioneren actoren op die verschillende beleidsniveaus zowel als *principals* als ook als *agents*. Hiermee stuit dit onderzoek op

een belangrijk gegeven, waarin in de gangbare *PA* literatuur vooralsnog geen ruimte bestaat.

Wat betreft de *MLG* literatuur wordt, zoals hierboven reeds aangemerkt, vaak gediscussieerd over de vraag of het nationale beleidsniveau aan autoriteit verloren heeft door de ontwikkeling van de Europese Integratie. Interessant voor deze casus is de vaststelling, dat in het proces van een zich steeds verder ontwikkelende Europese Integratie, beleidsbepaling steeds meer verdeeld wordt over de verschillende beleidsniveaus en dat deze niveaus zowel als *agents* als ook als *principals* kunnen functioneren. Het is dus niet zozeer de vraag wie “de touwtjes in de handen heeft” als wel van belang om te laten zien dat in de loop van de ontwikkeling van het *INTERREG/ETS*-programma de taken en de verantwoording meer en meer over alle betrokken beleidsniveaus verdeeld zijn geraakt.

De eerste overdracht, de “supranationalization shift” begon al in de eerste jaren van de Europese Integratie vlak na het einde van de Tweede Wereld Oorlog. De nieuwe Europese samenwerkingsverbanden werden gecoördineerd door nieuwe, deels supranationale overheden. Dit betekende voor de lidstaten een overdracht van nationale autoriteit naar een supranationaal Europees niveau. In de casus van de Nederlands-Duitse grensoverschrijdende samenwerking is de tweede overdracht van autoriteit, de “renationalization shift” van groot belang. Op het gebied van Europees regionaal beleid begon deze tweede overdracht met de ontwikkeling en de uiteindelijke introductie van het *EFRO* in 1975. Om het *EFRO* in de lidstaten te kunnen implementeren was met name de Europese Commissie op hulp vanuit de lidstaten aangewezen. De Europese Commissie, die door de eerdere overdracht van autoriteit zelf als *agent* werd opgebouwd door de *multiple principals*, de lidstaten, werd door de tweede overdracht van autoriteit zelf een *nieuwe principal* die *nieuwe agents* creëerde. De lidstaten (en regio's) als *nieuwe agents* kregen de bevoegdheden om, in opdracht van de Commissie, nieuwe taken te vervullen. Om er zeker van te zijn dat deze *nieuwe agents* de taken en bevoegdheden geheel in de zin van de *nieuwe principal*, de Europese Commissie, zouden doorvoeren, werden er verschillende procedures en controlemechanismen opgelegd. In de casus van de Nederlands-Duitse grensoverschrijdende samenwerking ziet men deze controle onder andere begin jaren 1990 in de vorm participatie van de Europese Commissie in de stuurgroepen voor project-besluiten en de deelname aan

besluiten op programma niveau in het Comité van Toezicht. Hiernaast werden jaarlijkse rapportages en verantwoordingen conform de Europese reguleringen aan de Europese Commissie ingediend. Nadat de Nederlands-Duitse *INTERREG*-programma's hun eerste programma-periode succesvol hadden afgerond in 1993, werd met ingang van het tweede *INTERREG*-programma die besluitvormingsprocedure en dus ook de directe controle en participatie van de Commissie gewijzigd: vertegenwoordigers van de Europese Commissie namen niet langer deel aan de project-besluitvormingsprocedures en kregen geen stem meer in de Stuurgroepen. Met de start van *INTERREG IIIA* in 2000 trok de Europese Commissie zich nog verder uit de programma's terug toen de Commissie geen beslissende zetel meer in het Comité van Toezicht meer innam en zich daardoor volledig tot een toezichhoudende in plaats van een participerende instantie ontwikkelde. Samenvattend is te zien, dat in deze tweede "shift" de Europese Commissie door de jaren heen zichzelf steeds meer uit de concrete uitvoering van de programma's terug trekt en met iedere stap terug het systeem in zijn geheel complexer wordt. De complexiteit zit in het feit dat de andere programma-partners op de nationale, regionale en lokale beleidsniveaus door deze terugtrekkende beweging van de Europese Commissie steeds meer vrijheid kregen bij de implementatie van de programma's, onder de voorwaarde dat zij deze conform de basisprincipes en regels van de Europese Structuurfondsen voor grensoverschrijdende activiteiten implementeerden. Deze regels werden met ingang van iedere subsidieperiode uitgebreider en ingewikkelder.

De conclusie dat het nationale niveau door de ontwikkeling en de uiteindelijke implementatie van het Europees regionaal beleid autoriteit zou hebben terug gekregen zou te kort door de bocht zijn, omdat het Europese regionaal beleid en hiermee ook het terrein van de Europese grensoverschrijdende samenwerking in de loop van het proces van Europese integratie zijn ontwikkeld en hiermee niet van een "teruggave" kan worden gesproken. Toch kan tegelijkertijd worden vastgesteld, dat de nationale overheidsinstellingen, als deel van de *nieuwe agents*, meer en meer controleren of de middelen, die aan grensoverschrijdende samenwerking worden besteed wel volgens de Europese en nationale regels zijn uitgegeven. Hiermee is niet alleen de verantwoording van de implementatie van de fondsen voor grensoverschrijdende samenwerking maar ook een deel van de verantwoording van de controle van de activiteiten en de voortgang van de programma's op het nationale niveau overgedragen. Zo zien we bijvoorbeeld dat,

voordat een nieuwe subsidieperiode van start gaat, de controlemechanismen van de programmapartners (het lokale, regionale en nationale niveau) door de nationale overheden van de lidstaten ter goedkeuring aan de Commissie moeten worden gestuurd. Gedurende de programmalooptijd worden de resultaten van dergelijke controles naar de Europese Commissie gestuurd, die de formele verantwoordelijkheid voor de programma's en hiermee indirect ook voor de projecten draagt. In feite controleert de Commissie door deze werkwijze de controle van de controlemechanismen. In deze context is het interessant om te zien dat de lidstaten in hun rol als *nieuwe agents* geen competenties "terug hebben genomen" die zij ooit zouden hebben gehad maar, dat zij juist nieuwe autoriteiten overgedragen hebben gekregen van een, door hen zelf in het leven geroepen *principal*, de Europese Commissie.

Het is juist deze ontwikkeling die verantwoordelijk is voor het 'bureaucratic drift' in de Europese, grensoverschrijdende samenwerking. Conform de *PA* literatuur zouden de *agents* vroeger of later zelf hun eigen visie over hun mandaat formuleren en hun eigen interesses vervolgen en daarmee hun mogelijkheden en invloed willen uitweiden. Deze 'bureaucratic drift', niet van het Europese, maar van het *nationale* beleidsniveau wordt gestimuleerd doordat de Europese regulering voor de implementatie van het *INTERREG*-programma erin voorziet dat de verantwoording voor de besluitvorming, voor de implementatie en voor de controlling van het programma, deels of volledig bij het nationale niveau ligt. Daarnaast biedt het systeem mogelijkheden voor nationale actoren om aanvullende voorwaarden te stellen.

Opmerkelijk is dat het nationale niveau in de loop van tijd een bijzondere rol heeft ingenomen, doordat het de bevoegdheid heeft om zelf additionele project-voorwaarden te introduceren en daarnaast tegelijkertijd ook de algehele voortgang van het programma controleert en tevens ook mag meebeslissen over hoe de Europese *INTERREG*-middelen worden besteedt. Concreet betekent dit dat het nationale niveau niet alleen de controles meebepaald, de controlling uitvoert, maar ook een bepalende stem in besluitvormingsprocedure heeft. Desalniettemin heeft de Commissie met haar terugtrekkende beweging uit bestaande procedures er voor gezorgd dat de controlesystemen opgeschroefd werden terwijl nationale autoriteiten tegelijkertijd relatief gezien belangrijkere spelers in het geheel zijn geworden.

Omdat dit onderzoek een Europees subsidieprogramma onder de loep neemt, waarin projecten met actoren uit verschillende landen worden gerealiseerd komen er, naast de toegenomen complexiteit in de verticale relatie tussen verschillende beleidsniveaus, per definitie horizontale relaties tussen niet altijd even goed vergelijkbare actoren in de betrokken landen bij. Iedere nationale, regionale en lokale betrokken Nederlandse en Duitse autoriteit heeft eigen prioriteiten en strategieën, waar grensoverschrijdende samenwerking in moet passen, omdat het anders voor deze autoriteiten moeilijk is om in een dergelijk programma te participeren.

De boven geschetste ontwikkeling leidde tot een situatie waarin de bepalingen in Europese regelgeving voor het programma aan de Duits-Nederlandse grens werden aangevuld met nóg meer regelingen van betrokken nationale actoren, zowel op nationaal als op subnationaal niveau. Vooral de controles van de Duitse overheid gingen verder dan conform de Europese regelgeving vereist en waren om die reden een extra administratieve last voor de 'eindverbruikers', de projectdragers en -partners in de grensregio. Kortom: Door deze ontwikkeling van multiple en multilevel *principal-agent* relaties tussen de Europese Commissie en de andere betrokken beleidsniveaus en door de extra nationale eisen aan het programma is de uitvoering van grensoverschrijdende projecten gecompliceerder dan eigenlijk op basis van alleen de Europese regelgeving nodig zou zijn.

Samenvattend zien we meerdere *principal-agent* verhoudingen in de Europese grensoverschrijdende samenwerking die in de loop van de tijd complexer zijn geworden doordat actoren een dubbele rol van zowel *principals* en als ook van *agents* zijn gaan spelen. In deze ontwikkeling hebben de nationale en supranationale niveaus hun administratieve voorwaarden en procedures opgeschreefd. Deze toegenomen administratie en complexiteit wordt vooral zichtbaar in de steeds uitgebreidere controlemechanismen. Deze toename aan controle kan worden verklaard door de toenemende diversificatie van het besluitvormingsproces in het kader van de Europese Structuurfondsen.

Uiteindelijk betekent deze ontwikkeling in de grensoverschrijdende samenwerking voor de deelnemers aan het programma, de projectdragers en projectpartners, een toegenomen administratieve last, omdat ook zij de steeds complexere regels die door de

beherende autoriteiten en de programma-partners worden opstelt, moeten aanhouden. In feite zouden niet alleen concrete regels en voorwaarden, maar de hele constructie van het beleid voor Europese grensoverschrijdende samenwerking in zijn geheel simpeler gemaakt moeten worden. Dit zou kunnen gebeuren doordat of autoriteit en bevoegdheden weer meer gebundeld zouden moeten worden, of door het beter structureren van controle mechanismen binnen de programma's. Gezien de resultaten van dit onderzoek lijkt de eerst genoemde oplossing onwaarschijnlijk. De tweede mogelijkheid zal moeilijk door te voeren zijn, maar is zeker niet onmogelijk. De voorwaarde hiervoor zou een nog beter samenspel van de actoren zijn en het besef dat het maar om een ding gaat: Het mogelijk maken van succesvolle projecten voor grensoverschrijdende samenwerking.

About Mariska van der Giessen

Mariska van der Giessen (July 14th 1977) finished a binational double degree M.A. programme *Niederlande Studien / Duitsland Studies* offered in joint cooperation between the *Westfälische Wilhelms-Universität* Münster (Germany) and *Radboud Universiteit Nijmegen* (The Netherlands). After graduating, she worked as a desk officer at the *Joint Technical INTERREG-Secretariat* in Kleve (Germany). She continued working in the field of Dutch-German cross-border cooperation first as PR coordinator and later as project-coordinator at the *Euregion Rhein-Waal*, also in Kleve.

She started her PhD-project in 2009 at the Department of Human Geography, Planning and Environment at Radboud University in Nijmegen. Since October 2013 she is an associate professor for International Business and Management in a Euregional Perspective at *Fontys University of Applied Sciences* in Venlo. In October 2014 she will continue as a full professor.