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**DEVELOPMENT OF AND PROSPECTS FOR  
THE EUROPEAN UNION  
MULTI-LEVEL GOVERNANCE SYSTEM /  
REFORMS AND FUNDAMENTAL PRINCIPLES OF  
EUROPEAN COHESION POLICY**

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## **Abstract**

The heated debate on the development and course of European Cohesion Policy has always been in the agenda of the EU and national decision-makers since the creation of it. The proponents and opponents of cohesion policy did not agree on the direction that the EU should progress. Because cohesion policy is at the core of the multi-level governance system and the fundamental principles of cohesion policy such as solidarity and partnership might be eradicated, the thesis suggests that the withdrawal and demise of multi-level governance system might follow the decline of cohesion policy as neoliberal Europe prevails over social Europe. The role and influence of the subnational actors might be weakened and the regions can retreat further in favour of the national governments as paralleled to the structural transformation which might be followed by the decrease in the explanatory power of multi-level governance model as alternative versions of intergovernmentalism within the context of the state-centric model are presented and evaluated in the thesis. The focus on the reforms of cohesion policy ensures that the potential impact of the prospective reforms on the development and direction of cohesion policy and multi-level governance beyond 2013 might be estimated to some extent as a variety of possibilities are taken into consideration herein.

# 1. Introduction

The prospective reforms of European Cohesion Policy, which should be situated in the context of the historical evolution of cohesion policy, will presumably play a major role in the prospects for and development of the multi-level governance system. The reforms might have a considerable impact on the influence of the subnational, national and supranational actors at the different stages of the cohesion policy-making as well as its implementation. On the other hand, these actors concerned are also expected to participate in and influence the bargaining during the reform-making in accordance with their strength. Whether the reforms will preserve and consolidate or undermine the fundamental principles of cohesion policy is under discussion.

In my thesis, I attempt to uncover the key points, main characteristics and direction of the reforms of cohesion policy regarding the development of the multi-level governance system and hypothesize about the implications of it along with the analysis of the debate on the multi-level governance model. Besides, the impact of the reforms on the role of the supranational EU institutions, national governments and the subnational authorities along with the interaction of them is underlined by scrutinizing the institutional architecture of the EU, evolution of cohesion policy and the explanatory power of the multi-level governance theory. Moreover, I discuss the prospects for the future reforms and elaborate the potential features and path towards which the European Union (EU) will direct the policy in favour of or against the system of multi-level governance.

It is likely that the prospective reforms of cohesion policy might substantiate a ‘major policy shift’ or ‘paradigm shift’, taking the necessary steps towards an all-encompassing and overarching revision of the fundamental principles of cohesion policy. Therefore the question “what would the characteristics of this type of revision be?” is supposed to be central to the thesis so that a better assessment of

the prospective reforms and its impact on the multi-level governance system can be ensured.

“EU Cohesion Policy as we have known it since 1988 is under threat”<sup>1</sup> according to Hooghe and Marks for whom cohesion policy is at the core of multi-level governance as they apply the policy to structure their model. I think it is essential to take the ‘threat’ seriously and identify the indications and elements of it clearly, while the premises of this effort are based on the assumption that this perception of threat is settled, realistic and convenient. Therefore, the analysis of the ‘threat’ forms the focal point of my thesis of which purpose is to uncover to what extent cohesion policy is threatened by which actors and how much would the prospective reforms influence the fundamental principles of this policy in which direction. Besides, whether the previous reforms led to the renationalization/recentralization at the expense of the subnational and supranational actors is examined in the thesis. Moreover, the question ‘whom to blame?’ is also vital in order to identify the actors which attack the policy, if there is any. However, the implications of this threat should not be limited to cohesion policy as long as the intertwined structure of the policy and multi-level governance is taken into consideration.

The historical background and current state of the principles of cohesion policy along with their reciprocal relation with the multi-level governance system in the context of the European integration is evaluated in much detail. Therefore, it might be feasible to shed light on the obstacles to the advancement of multi-level governance by exposing that the principles concerned are affiliated with the multi-level structure of the EU.

I benefited from the works of the scholars who come up with alternative models of and concepts that account for the European integration as their criticisms on the shortcomings of multi-level governance and cohesion policy in line with the models and concepts such as flexible gatekeeping, joint-decision trap and

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<sup>1</sup> Liesbet Hooghe and Gary Marks, *Multi-Level Governance and European Integration* (Lanham: Rowman & Littlefield Publishers, 2001), p. 105.

principal-agent theory provide a multidimensional grasp of the pros and cons and strong and weak points of multi-level governance, cohesion policy and the fundamental principles of it.

While the purpose of the thesis is to find out whether the EU multi-level governance system is also in danger, under threat or attack in line with the threat that European Regional and Cohesion Policy is exposed to, the analysis of the struggle between neoliberal and social models of Europe provides me with a coherent basis to achieve this purpose. The very core of cohesion policy is arguably at odds with the neoliberal perspective which confirms neither the solidarity nor partnership, while the achievement of the single market might be associated with the neoliberal perspective and the efforts of its proponents. Therefore, the standpoint of the neoliberals requires a strong opposition to the empowerment of cohesion policy. Finally, the measures which have to be taken in order to preserve and consolidate the essential elements of the policy against the attempts of the neoliberal agenda to undermine it are suggested and assessed in accordance with the model of social Europe.

## 2. Cohesion Policy

### 2.1 The Origins of Cohesion Policy

The commitment of the countries which signed the Treaty of Rome in 1957 to alleviate the disparities between the regions was strengthened by additional steps later on as the wording and content of the related part in the Treaty of Rome laid the genuine ground for them in order to expand the scope of the targets both qualitatively and quantitatively and to testify the commitment during the implementation process. ‘To strengthen the unity of their economies’, ‘to ensure their harmonious development by reducing the differences existing the various regions and the backwardness of the less-favoured regions’<sup>2</sup> are still the chief goals of the member states of the European Union in spite of the major steps forward taken at the European, national and subnational levels. Although Ian Bache defends that “At this stage, it was not clear whether these disparities would be addressed through national or Community regional policies, or a combination of both. For almost two decades, the responsibility remained national” as he refers to the Treaty of Rome<sup>3</sup>, the unity and solidarity are the key points of the chief goals identified by the Community.

The European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF) were noticeable actions to put these chief goals into practise one year after the declaration of them by the Treaty of Rome in 1957. However, the foundation of the major method to achieve this dates back to the advent of the European Regional Development Fund (ERDF) in 1975 as the method was based on the allocation of the budget in favour of the regions lagging behind, although the contribution of the member states that those regions are part of was obviously less than the others and the role played by the European and

<sup>2</sup> “Some Key Dates,” in *Working for the Regions, European Union Regional Policy* ed. Raphael Goulet (Luxembourg: European Communities, 2004) p. 5.

<sup>3</sup> Ian Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping* (Sheffield: Sheffield Academic Press, 1998), p. 31.



subnational actors in comparison to those by the member states was not substantial.<sup>4</sup> The redistribution of the resources survived so far as it remained as the essential instrument of cohesion policy throughout several modifications during the reforms that this policy has been exposed to. The identification of the goals in the Treaty of Rome and the invention of the suitable tools to achieve those goals during the introduction of the ERDF were the landmarks that constituted the backbone of and led to the construction of cohesion policy as such by the Single European Act in 1986.<sup>5</sup>

‘Reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions, including rural areas’ through harmonious development is an essential requirement of the European Union according to the 158 of the Treaty on European Union (TEU) which was signed in 1992 and came into force in 1993.<sup>6</sup>

‘First Report from the Commission on Economic and Social Cohesion’ which was published in 1997 illuminates the definition of the concept ‘cohesion’ and the general features of cohesion policy. While the European Commission’s interpretation of the European societal organization is based on its confirmation that it is a social market economy which aims at the combination of the market forces, freedom of opportunity, enterprise, solidarity and mutual support, cohesion policy’s ‘sole aim is to achieve greater equality in economic and social opportunities’ as the policy is composed of solidarity and mutual support.<sup>7</sup>

Graham Meadows, who was Director-General from 2003 to 2006 in DG REGIO in the European Commission suggests that “The policy is in place to balance growth” which continuously generates disparities while cohesion policy is one of the three elements by which the EU ensures the growth along with the single

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<sup>4</sup> “From Projects to Programmes,” *Inforegio Panorama, EU Cohesion Policy 1988-2008: Investing in Europe’s Future* ed. Raphael Goulet 26 (June 2008): 8.

<sup>5</sup> “Some Key Dates,” p. 5.

<sup>6</sup> Liesbet Hooghe and Gary Marks, *Multi-Level Governance and European Integration*, p. 117.

<sup>7</sup> Liesbet Hooghe and Gary Marks, *Multi-Level Governance and European Integration*, p. 117.

market and single currency<sup>8</sup> while Jérôme Vignon, who was Member of the Cabinet of President Jacques Delors in 1985, reminds that “Jacques Delors was really keen to avoid that Cohesion Policy and the use of the Structural Funds would turn into pure redistribution. ‘The deal’ was to counteract the effects of the single market and the single currency on the poorest”<sup>9</sup> as he also sheds light on the relation between the three elements of the growth explained by Meadows.

The ultimate aim of the policy is to ensure the development of poorer regions up to the point that they no longer need the support of the Community as they will be sufficiently competitive and dynamic ‘on their feet’ by themselves as Jérôme Vignon defends that “Nobody should be dependent on assistance” However “The underlying logic was, of course, that those receiving more should be committed to some achievements” alongside the elimination of their dependency.<sup>10</sup>

The economies of the poorer regions which are rather intensified in the southern countries would be the losers of the single market unless cohesion policy was not created. Therefore, it is noteworthy when it comes to the debate on the reform of it that the *raison d'être* of cohesion policy is to compensate the costs of the single market so that the beneficiaries of the single market are supposed to support the losers of it while the beneficiaries of cohesion policy are expected to come up with the precise projects in order to catch up with the other regions although the policy is not consisted of the side-payments within a broader context of the European integration. The legitimacy of the solidarity principle of cohesion policy is based on this essential rationale behind the formation of the European Regional Policy which benefited from the resources such as the Structural Funds and Cohesion Fund.

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<sup>8</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” in *Inforegio Panorama, EU Cohesion Policy 1988-2008: Investing in Europe’s Future* ed. Raphael Goulet 26 (June 2008): 30.

<sup>9</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 30.

<sup>10</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 31.

### **2.1.1 The Role of the EC Institutions and the Political Atmosphere in the Construction of Cohesion Policy**

The institutional architecture of the European Community and the political atmosphere at that stage should be examined in order to comprehend why and under which circumstances the essential features of the 1988 reform emerged. It might also be beneficial in the planning and construction of the prospective reforms of cohesion policy.<sup>11</sup>

The European Council convened to resolve the stalemate concerning the budget crisis and developed the instrument to achieve this goal as agreed by many European leaders including François Mitterrand, Helmut Kohl and Felipe Gonzalés in Fontainebleau in 1984 and the following period is also marked by the emergence of the ideal conditions to create ‘the exceptional institutional moment’ for cohesion policy.<sup>12</sup> The key point of the ‘exceptional institutional moment’ was the ultimate reliance of the national governments on the principle of subsidiarity and the Commission which, they believed, was capable of conducting cohesion policy according to Jean-Charles Leygues, who was Deputy Head of the Cabinet of Commission President Jacques Delors.<sup>13</sup>

Philip Lowe, who is Director-General of DG Competition and was Head of Cabinet of Bruce Millan, indicates that “the ultimate question was whether we were talking about ‘a net deal’ to compensate the poorest Member States or about a wider sense of a European structural policy. No agreement was possible at that stage”<sup>14</sup> as he refers to the debates in the Copenhagen European Council in 1987. Although the European Cohesion Policy as such enjoyed the general recognition and survived throughout the continuous contention and always heated debate on the existence of it, it may be argued that the debate on the fundamental principles of cohesion policy shows that the disagreement on cohesion policy between the

<sup>11</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 34.

<sup>12</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 30.

<sup>13</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 34.

<sup>14</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 32.

supranational, national, regional and local actors is still in the agenda of the European policy-makers to some extent. If the options at hand were just to deal with the daily and temporary issues rather than the creation of a long-standing essential European policy, it would mean that the conditions for the construction of a fully-fledged policy did not exist. However, the European decision-makers at all levels have been able to come up with a policy which still has the ground it was erected on. So, the debate on the prospective reform that include the modification of the principle of solidarity and the privileged status of the poorer member states apart from the regions lagging behind should be based on recognition of the policy as a whole rather than attacking the components such as the solidarity and partnership as if cohesion policy would be able to exist without those components.

## **2.2 The 1988 Reform of Cohesion Policy**

### **2.2.1 The 1988 Reform and the Creation of the Fundamental Principles of Cohesion Policy**

The meeting of the European Council in Brussels in 1988 is considered to be the turning point in the history of cohesion policy as it agreed on the creation of the then Solidarity Funds which is now the well-known Structural Funds, allocating ECU 68 billion for these funds.<sup>15</sup> The European Social Fund established in 1958 was also shaped by the 1988 reform which is considered to be the peak of cohesion policy in a very general sense as solidarity has been developed further and approached to the status of principle while the partnership was already adopted as a principle. Solidarity, which basically requires supporting the poorer regions, is the idea at the core of cohesion policy while the principle of partnership requires the participation of the European, national and sub-national actors of the Community at the different phases of the decision-making, programming, implementation and monitoring processes.

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<sup>15</sup> “Some Key Dates,” p. 5.

The definition of the partnership suggested by Andrew Evans is sufficiently comprehensive and based on the legal documents so that it could enclose the evolving form of it that was broadened by the subsequent reforms of cohesion policy: “The partnership is defined in the legislation as close consultation... between the Commission and the Member State, together with the authorities and bodies designated by the Member State within the framework of its national rules and current practices, namely: the regional and local authorities and other competent public authorities, the economic and social partners, and any other competent bodies within this framework.”<sup>16</sup>

In order to reach well-defined goals in the long run, the programmes which were created by taking into consideration the requirements of a longer period were necessary. Otherwise the perspective and vision would be very limited and blunt without programming. These multi-annual programmes were also launched by the 1988 reform.<sup>17</sup> The role of the Commission along with the role played by the Member States and the subnational authorities has also been an issue which is widely debated throughout the developmental process of the regional and cohesion policy. The Commission would no longer manage a large number of projects without the participation of the other actors such as the regional authorities and the Member States which are also supposed to take responsibility in accordance with the newly established principle of partnership. Therefore the Member States and the regions also commenced to take part in the management and programming phases of the ESF.<sup>18</sup> However, 1988 reform also empowered the Commission which would take responsibility in the creation and financing of the regional projects without so much interference of the other actors as it would have the opportunity to gain experience and reach better results gradually. This role played by the Commission eventually obtained greater importance so that it was considered to be the implementation method of cohesion policy later on.<sup>19</sup>

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<sup>16</sup> Andrew Evans, “Regionalism in the EU: Legal Organisation of a challenging social phenomenon,” *European Integration* 24: 3 (November 2001): 226.

<sup>17</sup> Vladimir Spidla, “Investing in People” *Inforegio Panorama, EU Cohesion Policy 1988-2008: Investing in Europe’s Future* ed. Raphael Goulet 26 (June 2008): 6.

<sup>18</sup> Vladimir Spidla, “Investing in People” p. 6.

<sup>19</sup> “From Projects to Programmes,” p. 10.

Although the national governments are exposed to the pressure of bargaining with the other players at the supranational and subnational levels, the power of decision-making on the expenditure of regional policy belongs to them. The negotiation between the member states rather than the struggle of the supranational, national, regional and local authorities is dominant in terms of the financial redistribution of the resources, suppressing the European institutions in a sense.<sup>20</sup> Besides, “Bruce Millan, Commissioner with Responsibility for Regional Policy, 1989-95, stated: ‘The point about the reform started in 1989 was that previously European Community aid went to the areas that the member states themselves declared eligible and were giving their own aid to. That link was broken.’”<sup>21</sup> However that broken link was restored later on as the member states managed to retake the power to make decisions on the eligibility of the area.

### **2.2.2 The Distinctive Features of the 1988 Reform**

The development of the integrated approach after 1980 led to the creation of the Integrated Development Operations (IDOs) and Integrated Mediterranean Programmes (IMPs), triggering a ‘paradigm shift’ towards ‘integrated, bottom-up approaches’ rather than top-down prescriptive attitude of the institutions and national governments without the involvement of the subnational actors in the process.<sup>22</sup> Therefore it has been more feasible to modify the project in response to the feedback sent by the regional actors during implementation.

The origins of the principles initiated by the 1988 reform might be found out in the preceding reforms and treaties as mentioned above. However, the 1988 reform is the fundamental driving force combining a number of elements which come out earlier, under the flagship of the firm principles such as additionality and partnership. In addition to the principles explained above, multi-annual programming is also considered to be a particular principle which includes the

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<sup>20</sup> Liesbet Hooghe and Gary Marks, *Multi-Level Governance and European Integration*, p. 95.

<sup>21</sup> John B. Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” *Journal of European Public Policy* 7: 2 (June 2000): 291.

<sup>22</sup> “From Projects to Programmes,” p. 10.

analysis, strategic planning and evaluation steps, while the principle of additionality obliges the Member States to utilise the amount they get from the EU budget for the required spending. The number of the objectives of the policy had to be restricted as to the clearly identified goals and a convenient classification of them, paying the utmost attention at the regions which need to speed up in terms of the developmental performance according to the principle of concentration.

The requisite of supporting the regions lagging behind were anticipated earlier than the establishment of Economic and Monetary Union (EMU) and single market which, along with cohesion, are the main objectives of the Union according to the Maastricht Treaty that were signed in 1992 and entered into force in 1993. Therefore the necessary measures against the side-effects of the single market and EMU which were the long-standing objectives of the Community was taken preceding the establishment of them. The aim of endorsing the development of the transport and environment fields in the poorer Member States constituted the basis for the establishment of the Cohesion Fund.<sup>23</sup>

### **2.3 The Principle of Solidarity: Poor vs. Rich?**

The assumption that the poorer regions and member states advance at the expense of the other regions and member states is in contrast to the fact that the reason why cohesion policy was created is that a dynamic and competitive union cannot be fully established on the Continent which has extremely deep-rooted economic, social and cultural disparities without this kind of policy. On the other hand, the concept of diversity should not be confused with the concept ‘disparity’ as ‘diversity’ points out to the potential that might be exposed and utilised through the discovery of the advantageous points. However, the existence of diversity does not ensure the elimination of disparities and achievement of economic and social development taken for granted and it can lead even to

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<sup>23</sup> “Some Key Dates,” p. 5.

deepening of the disparities unless a systematic effort to accomplish such a progress is exerted cooperatively by the participation of all actors concerned.

According to the European Union Regional Policy document which was published in 2004 “Regional Policy can only be effective when it concentrates its action on a limited number of sufficiently large territories.” Then, it is necessary to “clarify the criteria for the selection of the regions with the greatest need of public support for development.”<sup>24</sup> However, the role of the European Regional Policy should not be restricted to the redistribution of the available resources from the more prosperous to the less prosperous Member States or regions. In fact, it requires the creation of an ‘added value’ through the effective and efficient use of the funds so that the advancement of the regions in order to catch up with the well-developed regions can be observed gradually.<sup>25</sup>

## **2.4 Impact of Enlargement on Cohesion Policy**

The impact of the enlargement on cohesion policy has always been substantial throughout the history of the Community as it increased the disparities as well as the number and size of the obstructions continuously. It is indicated that because first Greece, and then Portugal and Spain joined the Community subsequently, considerable rise of the regional disparities became unavoidable as it led to the budget crisis along with the other factors such as the long-standing objective of establishing single market and increasing cohesion, paralleled to the former objective.<sup>26</sup> Therefore, the 1988 reform of cohesion policy is also driven by the need to compensate for the side-effects of the enlargement.

The European Council convened in Berlin in 1999 came up with the ‘Agenda 2000’ and the new EU budget which covered the period from 2000 to 2006. Having focused on the reform of many policy fields of the EU to identify and

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<sup>24</sup> “For Whom?,” in *Working for the Regions, European Union Regional Policy* ed. Raphael Goulet (Luxembourg: European Communities, 2004) p. 8.

<sup>25</sup> “Why,” in *Working for the Regions, European Union Regional Policy* ed. Raphael Goulet (Luxembourg: European Communities, 2004) p. 7.

<sup>26</sup> “From Projects to Programmes,” p. 8.



clarify the new goals and to ensure a steady development, the ‘Agenda 2000’ was suitably constructed in order to simplify the structure and implementation of cohesion policy as well as dealing with the negative consequences of the previous enlargement.<sup>27</sup>

The ambitious goal to elevate the European Union up to the point of ‘the most competitive and dynamic knowledge-based economy in the world by the year 2010’ within the scope of the Lisbon Strategy which is composed of three pillars as economic and social renewal and the environmental dimension was determined by the Lisbon European Council in 2000. After the Gothenburg Council convened in 2001, sustainable development along with employment emerged as the major policy field laying the ground for the Lisbon Strategy as the three pillars concerned were stabled.<sup>28</sup> The Lisbon Strategy is arguably one step forward to take up the challenges that were expected to emerge after the following enlargement which would be the new and greatest enlargement ever in the history of the Community.

The 2004 enlargement would be incomparable to the previous examples in terms of its size and impact on the economic and social structures and objectives of the Union. Although the Nice Treaty in 2001 has not been sufficiently able to respond to the expectations of the European policy-makers and essential demands of the institutions, ten new members which had dissimilar features in comparison to the Western European countries as they have the influent legacy of the Warsaw Pact behind the Iron Curtain and are still in the transition process states joined the EU in 2004, following the agreement of the Copenhagen European Council in 2002 on the requirements of the participation of the candidate states to the EU. The proposals of the European Commission formed the backbone of the reform of cohesion policy from 2007 to 2013 just before the challenges of the new enlargement came out. The enlargement of 2004 and the second wave in 2007 imposed a great deal of difficulty on Europe as to the integration and absorption

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<sup>27</sup> “Making Enlargement a Success” in *Inforegio Panorama, EU Cohesion Policy 1988-2008: Investing in Europe’s Future* ed. Raphael Goulet 26 (June 2008): 8.

<sup>28</sup> “Some Key Dates,” p. 5.

of these new members with noticeably different historical legacy and the political and economic organism, representing the counter-pole of bipolar world in a sense.

## **2.5 Principle of Concentration and the Objectives of Cohesion Policy**

In accordance with the principle of concentration introduced in the 1988 reform, five objectives with particular purposes are determined. Although the reforms following the 1988 reform did not modify the principles and regulations regarding them substantially, the number and content of the objectives were changed in accordance with the requirements of the transformation and the changing allocation of the powers attributed to the several actors which played role in the process. Therefore, an overview of the objectives as a whole in the context of the reforms concerned will be ensured as long as it is related to the topic of the thesis instead of providing too detailed information on them.

The footprints of the solidarity principle can be traced back through all the objectives identified in the 1988 reform, but the first objective might be considered to have the priority in terms of the amount that it gets from the related funding as its focus is on the promotion of ‘the development and structural adjustment of regions whose development is lagging behind.’ The 1993 reform did not make any considerable changes in the structure of the objectives and the objective 1 remained completely intact. Although the 1999 reform required a reduction in the number of the objectives and amalgamation of some principles, the wording of the objective 1 was not affected by these modifications. However the 2006 reform preserving the purpose of further concentration that was determined by the 1999 reform which reduced the number of the objectives specified the content of the related objective, renaming it as ‘convergence’. Therefore, convergence criteria required the ‘speeding up the convergence of the least-developed Member States and regions defined by GDP per capital of less than 75 % of the EU average’<sup>29</sup>

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<sup>29</sup> “Focus on Growth and Jobs,” *Info regio Panorama, EU Cohesion Policy 1988-2008: Investing in Europe’s Future* ed. Raphael Goulet 26 (June 2008): 23.

The target of the Objective 2 was the regions which were exposed to a considerable industrial decline, according to the 1988 reform and this objective survived until the 1999 reform as the concentration of the objectives reduced the number of them, while Objective 3 of the 1988 reform which aimed at combating ‘long-term unemployment’ was combined with the objective 4 of the 1988 reform which aimed at facilitating the occupational integration of the young people under the objective 3 of the 1993 reform by containing the ‘promotion of equal employment opportunities for men and women’ and the individuals who were excluded from the job market.<sup>30</sup>

The 1993 reform specified the content of the objectives comprehensively. Objective 5 of the 1988 reform which was focused on ‘(a) speeding up the adjustment of agricultural structures and (b) promoting the development of rural areas’<sup>31</sup> has been modified by the 1993 reform as the rural development was central to the wording of the objective concerned and the Objective 5(a) pointed out to the way how the objective would be achieved within the context of the reformed Common Agricultural Policy (CAP), including the promotion of the modernisation and structural adjustment of the fisheries sector, according to the 1993 reform. Besides, the 1993 reform came up with the Objective 6 which was formulated to ensure the ‘development and structural adjustment of regions with an extremely low population density’.<sup>32</sup> Because the 1993 reform added one more objective to the existing objectives and, seemingly, it was not aiming at the concentration as the direction of the 1999 reform followed by the 2006 reform was obviously towards the concentration.

The 1999 reform that reduced the number of the objectives from six to three was focused on the concentration as the new objective 2 was formulated in order to support the ‘economic and social conversion of areas facing structural

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<sup>30</sup> “Consolidation and Doubling the Effort,” *Inforegio Panorama, EU Cohesion Policy 1988-2008: Investing in Europe’s Future* ed. Raphael Goulet 26 (June 2008): 15.

<sup>31</sup> “From Projects to Programmes,” p. 10.

<sup>32</sup> “Consolidation and Doubling the Effort,” *Inforegio Panorama, EU Cohesion Policy 1988-2008: Investing in Europe’s Future* ed. Raphael Goulet 26 (June 2008): 15.

difficulties<sup>33</sup> and objective 3 was in order to support ‘the adaptation and modernisation of policies and systems of education, training and employment’<sup>34</sup> while the objective 1 was not exposed to a substantial transformation.

## **2.6 The Reforms of the European Cohesion Policy**

### **2.6.1 The 1993 reform of Cohesion Policy**

Whether the regulations made by 1993 reform were in favour of the supranational, national or subnational level is also interpreted by the state-centric and multi-level perspectives differently, that is to say, the construction and implications of the reform is also contentious. For example, Ian Bache assumes that “As with 1988, prior intergovernmental bargains set the context for 1993 reform”<sup>35</sup> Therefore, an overview of the opposite opinions is necessary to assess the effects of the reform properly.

Pollack defended that the 1993 reform paved the way for the national governments to retake what they had to give to the supranational institutions and the subnational actors as the reform enabled them to dominate the implementation stage of cohesion policy<sup>36</sup> in which multi-level governance is prominent as assumed by Marks and Hooghe.<sup>37</sup> For instance, the national governments increased their influence and decision-making power in the identification of the eligible regions for the Objective 2 and 5b and over the Community initiatives.<sup>38</sup> Besides, the national governments have been able to exploit the principle of additionality, taking advantage of the wording of the related article which favoured them. Therefore the tight control of the added value which should be

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<sup>33</sup> “Making Enlargement a Success,” p. 19.

<sup>34</sup> “Making Enlargement a Success,” p. 20.

<sup>35</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping* p. 138.

<sup>36</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 298.

<sup>37</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 24.

<sup>38</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 298.

imposed on the national governments was rendered impotent as it was established to make sure that the national governments cannot exploit the principle of solidarity.<sup>39</sup>

The 1993 reform also enabled the national governments to make decisions on the eligibility of the regional and local actors which would benefit from the principle of partnership.<sup>40</sup> Therefore if the national governments are convinced that the participation of a regional actor might endanger their interests, there is no restriction on them that might force them to allow the actor concerned to acquire the status 'partner'. Then, the agreement of the national governments is compulsory for the participation of the certain actors within the extent of the principle of partnership.

John B. Sutcliffe defends that "..., the 1993 regulations did not amend the fundamental principles of the regulations and did not, therefore, result in a complete renationalization of the sector. Moreover, the reforms were not as radical as some central governments advocated."<sup>41</sup> If there is not a *complete* renationalization, the question whether the 1993 reform led to a partial renationalization comes to mind inevitably. However the article of Sutcliffe sheds light neither on this issue nor on the assessment of the 1999 reform in terms of the degree of renationalization.

Although the 1993 reform of cohesion policy eroded the rather advantaged position of the regional and local actors that were granted by the 1988 reform, it made contribution to the principle of partnership alongside the 1999 reform, increasing the number of the participants that eventually included many organizations ranged from the public and private organizations such as the companies and universities to the social partners like the trade unions.<sup>42</sup>

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<sup>39</sup> Sutcliffe, "The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?," p. 299.

<sup>40</sup> Sutcliffe, "The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?," p. 299.

<sup>41</sup> Sutcliffe, "The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?," p. 299.

<sup>42</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 84.

## 2.6.2 The 1999 Reform of Cohesion Policy

The difference between the 1999 reform of cohesion policy and the previous reforms is that the 1999 reform was conducted taking into consideration the next enlargement wave which was greatest with the six candidate countries during that period.<sup>43</sup> The 1999 reform preserved and consolidated the principles of solidarity, partnership, additionality and programming alongside the principle of concentration which gained more importance by reducing the number of the objectives from six to three and the number of the community initiatives from thirteen to four initiatives that were consisted of INTERREG, URBAN, LEADER, EQUAL. Therefore simplification of cohesion policy's different stages is a distinctive feature of the 1999 reform.<sup>44</sup>

The proposals presented by the Commission arguably reflect the significance of the role played by the national governments during the 1999 reform. Although the principle of partnership remained as an essential element of cohesion policy, Sutcliffe says that "As in 1988 and 1993, however, the new regulations clearly state that the subnational partners are to be selected by the central governments."<sup>45</sup>

It also rearranged the distribution of the responsibilities among the European Commission and the national and regional authorities as John B. Sutcliffe states that "...the Commission shall have a larger role in the setting of the overall priorities for the structural fund assistance, whereas the central governments and subnational partners should take a larger role in the implementation and monitoring of the funds."<sup>46</sup> Therefore the previously stronger role of the

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<sup>43</sup> Sutcliffe, "The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?," p. 301.

<sup>44</sup> Sutcliffe, "The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?," p. 302.

<sup>45</sup> Sutcliffe, "The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?," p. 303.

<sup>46</sup> Sutcliffe, "The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?," p. 302.

Commission in the implementation and monitoring of the funds was weakened by the 1999 reform in favour of the central governments and subnational partners.<sup>47</sup>

In addition to the ex-ante and ex-post evaluations, a mid-term evaluation is created in order to scrutinize and confirm the progress more adequately. Another contribution of the 1999 reform to the development of cohesion policy is the establishment of the performance reserve as the member states would reserve the four per cent of the funds they obtain for each objective in order to award the successful regions in the practice of the policy.<sup>48</sup>

The question Sutcliffe asks ‘whether the reforms introduced in the 1999 regulations represent evidence of a renationalization of the policy sector, or whether they hold the potential for renationalization during the implementation phase for which they set the context’<sup>49</sup> is also crucial in terms of the future of cohesion policy. If the answer is ‘yes’ it would be necessary to find out whether the similar conditions of the renationalization in the 1999 reform occur in the designation of the prospective reform. However, the answer of Sutcliffe is *partly* ‘no’ as he defends that ““Acknowledging the importance of the central governments in the policy sector does not, however, indicate that the policy sector has been totally renationalized for the 2000-06 period. The major principles set in 1988 remains in place, albeit in revised form”<sup>50</sup> If cohesion policy is not *totally* renationalized, it is necessary to underline that there is a partial renationalization according to him, though he does not deal with the details regarding the evidence and extent of the renationalization except the emphasis on the revision of the fundamental principles as well as the importance of the central governments, the Commission and subnational actors which are the negotiators that take place around the round table. However his conclusion with the sentence that “The 1999

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<sup>47</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 304.

<sup>48</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 302.

<sup>49</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 303.

<sup>50</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 305.

reforms have not renationalized the structural funds”<sup>51</sup> is not consistent with his statement related to the partial renationalization.

### **2.6.3 The 2006 Reform of Cohesion Policy**

The budget proposal of the European Commission which was published in 2004 was designated in order to draw a roadmap for the period of 2007-2013. The European Council convened in Brussels in 2005 decided to provide the Structural and Cohesion Funds with 347 billion Euros and so-called ‘Convergence’ regions would be able to benefit from the 81.5 % of this amount.<sup>52</sup> According to the *Inforegio Panorama* magazine of the EU, ‘The highest concentration ever of resources on the poorest Member States and regions, the inclusion of all regions, and a shift in priorities set to boost growth, jobs and innovation, are essentially the major changes to EU Cohesion Policy during the current period’ within the context of the 2006 reform.<sup>53</sup> Therefore the concentration might be escalated at the expense of the principle of partnership after the prospective reform as the concentration of the funding on some regions and social segments which enjoy the support of the policy and lacks the organizational capabilities and capacities arguably cannot exploit well-developed organizational skills and satisfactory experiences of the developed regions sufficiently.

The 2006 reform turned the Objective 1 to convergence criteria which specifically required the ‘speeding up the convergence of the least-developed Member States and regions defined by GDP per capital of less than 75 % of the EU average’<sup>54</sup> The reform also combined the Objective 2 and Objective 3 of the 1999 reform under the ‘Regional Competitiveness and Employment’ heading which ‘covers all other EU regions with the aim of strengthening regions’ competitiveness and attractiveness as well as employment’.<sup>55</sup> Besides, the Interreg

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<sup>51</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 306.

<sup>52</sup> “Focus on Growth and Jobs,” p. 22.

<sup>53</sup> “Focus on Growth and Jobs,” p. 22.

<sup>54</sup> “Focus on Growth and Jobs,” p. 23.

<sup>55</sup> “Focus on Growth and Jobs,” p. 23.



initiative was incorporated into the ‘European Territorial Cooperation’ which was designed to support the cross-border, transnational and interregional cooperation and networks by the 2006 reform which ‘reduced the number of financial instruments for cohesion from six to three’ as those would be composed of two Structural Funds (ERDF, ESF) and the Cohesion Fund.<sup>56</sup>

The number of the programming phases was also reduced from three to two while the economic growth and employment would constitute the focal point of the new programmes. The operational programmes will be liable for the implementation of the planning which will be conducted by the national governments as they are supposed to prepare the ‘National Strategic Reference Frameworks’ according to the ‘Community Guidelines on Cohesion’.<sup>57</sup>

The national governments instead of the supranational EU institutions were authorized to make decisions on the recipients of the funding by the 2006 and the principle of proportionality will be applied more in order to ‘reduce bureaucracy and the constraints imposed on smaller programmes.’<sup>58</sup>

The cooperation between the European Commission and European Investment Bank alongside the other financial institutions will be enhanced thanks to the creation of Jaspers, Jeremie and Jessica, the new policy instruments developed by the 2006 reform so that capacity-building, effectiveness and efficiency will be ensured in terms of the available funds within the scope of cohesion policy.<sup>59</sup>

Regardless the country in which they are situated, the regional and local actors of the EU will be able to establish officially recognized ‘cooperation groupings’ which are eligible to create cross-border projects.<sup>60</sup> Thus, the transnational cooperation of the subnational actors obtained legal recognition as their mobilization is arguably promoted and strengthened.

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<sup>56</sup> “Focus on Growth and Jobs,” p. 23.

<sup>57</sup> “Focus on Growth and Jobs,” p. 24.

<sup>58</sup> “Focus on Growth and Jobs,” p. 24.

<sup>59</sup> “Focus on Growth and Jobs,” p. 24.

<sup>60</sup> “Focus on Growth and Jobs,” p. 24.

The pre-accession countries and the Western Balkan countries which might be eligible to obtain the EU candidacy in the future will benefit from the support of the Pre-Accession Assistance (ISPA), a new instrument which is created to ensure the regional development and cooperation and replaced the former instruments that were liable for the pre-accession aid and support.<sup>61</sup>

The convergence criteria of the 2006 reform preserved the principle of solidarity in favour of the regions lagging behind which are composed of the prior targets of cohesion policy. The reform also represents a redistribution of the responsibilities between the supranational, national and subnational authorities as the national governments were assigned by the 2006 reform to measure the eligibility of the actors which demand funding and to conduct the operational programmes at the expense of the supranational EU institutions.<sup>62</sup>

The identification of the challenges is vital in shaping the priorities of the policy field. Therefore the content and direction of the 2006 reform is also closely related to the challenges identified previously. The European Union will have to take up four challenges between 2007 and 2013 within the scope of the regional and cohesion policy according to the European Union Regional Policy document. Firstly, cohesion should be increased in an enlarged Union as each enlargement imposed a higher level of burden on the Union and added new obstacles, deepening the economic and social disparities and hardening the achievement of the current objectives. Therefore, the extent of the cohesion should also be widened, complying with the altering conditions. Secondly, the Union's priorities should be strengthened in accordance with the objectives of the Lisbon strategy. However, these priorities should be incorporated into the national and regional development programmes in order to progress through the objectives concerned. Thirdly, quality to promote sustainable and more balanced development should be improved and lastly, a new partnership for cohesion should be created as to the

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<sup>61</sup> "Focus on Growth and Jobs," p. 25.

<sup>62</sup> "Focus on Growth and Jobs," pp. 22-24.

requirement to strengthen the capacities of the institutions at the European, national and regional levels.<sup>63</sup>

## 2.7 Cohesion Policy: Success or Failure?

While the reluctance of the member states for the contribution to the EU expenditure and for the implementation of the partnership and prevailing role of the Commission within the scope of cohesion policy in addition to the payments that are required by the principle of additionality is apparent, the existing or potential budget deficit along with the other reasons makes the empowerment and endorsement of cohesion policy even more difficult to cope with. Additionally, the member states which have more needy regions are no longer capable of influencing the policy as they did previously, because the claim that they would not be able to achieve competitiveness due to their exposure to the side-effects of the single market could not preserve its strength and validity after the establishment of the single market.<sup>64</sup> Then it is worth debating whether they could succeed in terms of the competitiveness to a considerable extent in spite of the support of cohesion policy to enable them. The cautious assessment of the degree of the contribution that cohesion policy made so far has vital importance, because it makes it possible to ascertain the *de facto* reason why the policy is forced to retreat. If the policy is considered to be successful, bearing in mind the remarkable development of the countries such as Ireland, Portugal and Spain along with the rising competitiveness or survival of the backward regions in spite of the single market thanks to cohesion policy, why should it retreat? Here it is necessary to remember what Jacques Delors said: “Market forces are powerful. If we left things to their own devices, industry would be concentrated in the north and leisure pursuits in the south”<sup>65</sup> so that the gap between the regions and core/periphery, north/south and west/east cleavages would be higher at the expense of cohesion as well as a competitive and dynamic economy obviously.

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<sup>63</sup> “And Tomorrow?,” in *Working for the Regions, European Union Regional Policy* ed. Raphael Goulet (Luxembourg: European Communities, 2004) pp. 26-27.

<sup>64</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 109.

<sup>65</sup> “From Projects to Programmes,” p. 9.

The principle of subsidiarity requires that the issue at hand should be resolved at the most suitable level for the achievement of the policy goals while the reasoning of the decision-makers at the European level is based on the claim that the EU in general and cohesion policy in particular are necessary because a better treatment of the challenges that the national governments face with can be achieved at the European level rather than the national level in a number of the cases within the context of the many policy areas. Therefore, cohesion policy alongside the other European policies is exposed to the critics of and surveillance by some of the national governments.

A large number of the reasons ranged from the use of GDP which is arguably an erroneous measure for cohesion policy to the insufficient resources available for the funding of the backward regions in order to justify the claim that the gap between the poorer and richer regions still exists and is even wider now.<sup>66</sup> The contribution made through the principle of partnership to the development of the regions lagging behind and to the mobilization of the regional and local actors and the significance of this mobilization are exposed to the condemnation by many actors ranged from the neoliberals to the national governments which argue that it has not an adequately strong defence mechanism against the pressure of corruption and clientelism and the implementation of partnership requires excessive effort to ensure the efficiency and effectiveness of the consequences and the participation of regional and local actors as well as the private/public and social actors<sup>67</sup>, although the principle of partnership is designed to ensure the efficient redistribution of the limited resources apart from another fundamental goal of it to join the regional and local actors into the game in accordance with the aim to establish and consolidate a multi-level governance system. However Hooghe and Marks state that “Partnership has worked least effectively in the poorer southern regions on account of incompetent or under-resourced local administration and clientelism.”<sup>68</sup> Ian Bache also underlines that the

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<sup>66</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 110.

<sup>67</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 110.

<sup>68</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 114.

implementation of partnership depends on whether the member state concerned is centralized or decentralized. While the subnational actors were mobilized in the centralized states, though they were 'not necessarily empowered', those in the decentralized states were capable of exploiting the principle of partnership.<sup>69</sup> Therefore the implementation of partnership in terms of the efficiency and effectiveness much depends on the north/south, west/east cleavages as well as the centralized/decentralized and core/periphery distinctions apart from the performance of the regional and local actors to achieve the objectives of the policy.<sup>70</sup> The key question is whether the new challenges that the EU needs to take up will maintain or deepen these distinctions and the regional disparities.

The disparities among the regions of the Union arguably cause the formation of an obstacle preventing it from making good use of the potential and resources. Marks and Hooghe ask that "How can one defend spending some hundreds of billions of euros on a policy that fails to meet its policy objective?," reminding that the objective to alleviate the disparities could not make a considerable difference as the more prosperous regions of the backward countries continued to get stronger economically while, apparently, the regions lagging behind did not benefit from cohesion policy to a wider extent as expected by the policy-makers.<sup>71</sup> However, Baun defends that "EU regional policy appears to have been effective in achieving its primary goal of promoting economic convergence. According to a Commission study, from 1986-1996 the per capita GDP of the EU's ten poorest regions increased from 41 per cent of the EU average to 50 per cent."<sup>72</sup> He also reminds that "The Commission's "Second Report on Economic and Social Cohesion," issued in January 2001, confirmed this convergence trend and the positive contribution of EU structural policy."<sup>73</sup> Therefore the debate on the success and failure of cohesion policy is also contentious. At this point, it seems

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<sup>69</sup> Ian Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping* (Sheffield: Sheffield Academic Press, 1998), p.103.

<sup>70</sup> Commission of the European Communities, Regions 2020, "An Assessment of Future Challenges for EU Regions," *Commission Staff Working Document* (November 2008): 4.

<sup>71</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 113.

<sup>72</sup> Michael Baun, "EU Regional Policy and the Candidate States: Poland and the Czech Republic," *European Integration* 24: 3 (November 2001): 262.

<sup>73</sup> Baun, "EU Regional Policy and the Candidate States: Poland and the Czech Republic," p.263.

to be suitable to offer that the assessment should uncover both the weak and strong points of the policy, rather than conceiving it to be an entire success or failure.

The point Philip Lowe deals with is also helpful to enlighten the debate on the regional development: “Which contributed also to another effect which Grigoris Varfis kept explaining to me: ‘Do not forget that we are not dealing with the weakest countries and regions. We are dealing with the weakest administrations.’”<sup>74</sup> The backward regions are also considerably weak in terms of their institutional structure. Bailey and De Propris confirm this idea about the weakest administrations by stating that “The poorest regions were also those with the weakest regional institutions and, therefore, those less capable of accessing and benefiting from the Structural Funds.”<sup>75</sup> Therefore the failed and underdeveloped administrations in the poorer regions need to build the institutions which might make it feasible to maximize the benefit they derive from or to make better use of the funds available for them at least. Otherwise the funding guarantees neither the added value nor efficiency nor effectiveness. Economic convergence and regional development are paralleled to regional participation and institution building<sup>76</sup> which are also the fundamental obligations that the candidate states must fulfill in order to obtain EU membership and benefit from the funds<sup>77</sup> as shown by Bailey and De Propris. However, it is controversial if these obligations along with the other hierarchical regulations set forth by the Commission and the incentives provided to promote the institution building and an enhancement or creating of the institutional capability are sufficient for the achievement of the policy’s objectives.<sup>78</sup> Therefore, a bottom-up approach towards the institution building is yet to be elaborated.

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<sup>74</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 31.

<sup>75</sup> David Bailey and Lisa De Propris, “EU Structural Funds, Regional Capabilities and Enlargement: Towards Multi-Level Governance?,” *European Integration* 24: 4 (July 2002): 318

<sup>76</sup> Bailey and De Propris, “EU Structural Funds, Regional Capabilities and Enlargement: Towards Multi-Level Governance?,” p.307

<sup>77</sup> Bailey and De Propris, “EU Structural Funds, Regional Capabilities and Enlargement: Towards Multi-Level Governance?,” p.317

<sup>78</sup> Bailey and De Propris, “EU Structural Funds, Regional Capabilities and Enlargement: Towards Multi-Level Governance?,” p.318

## 3. Multi-Level Governance and Cohesion Policy

### 3.1 Multi-Level Governance

#### 3.1.1 Governance

An appropriate definition of the term ‘governance’ is necessary in order to reach a better understanding of ‘multi-level governance’ of which definition is supposed to be closely related to the definition of ‘governance’.

There are fundamentally different definitions suggested by the scholars as Governance means ‘binding decision making in the public sphere’ according to Gary Marks and Liesbet Hooghe<sup>79</sup>, while Colin Scott defends that “Governance is, in essence, about control and the technologies by which control is achieved.”<sup>80</sup> While the first definition is sufficiently flexible and accessible to allow the participation of regional and local actors in the decision-making, the latter assumes that the subnational actors are those over which the control of the higher authorities will be overriding.

Although, it also deals with the question of control, the definition suggested by Kohler-Koch seems to be more extensive “continuous political process of setting explicit goals for society, of providing incentives and sanctions for their achievement [and] of monitoring and controlling compliance.”<sup>81</sup> If one takes into consideration the policy-making, implementation and monitoring phases along with the incentives and sanctions to achieve the objectives in the EU, this

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<sup>79</sup> Liesbet Hooghe and Gary Marks, “Contrasting Visions of Multi-Level Governance” in *Multi-Level Governance* ed. Ian Bache and Matthew Flinders (Oxford: Oxford University Press, 2004), p. 15.

<sup>80</sup> Colin Scott, “The Governance of the European Union: The Potential for Multi-Level Control,” *European Law Journal* 8: 1 (March 2002): 63.

<sup>81</sup> Thomas Conzelmann, “A New Mode of Governing? Multi-Level Governance between Co-operation and Conflict” in *Multi-Level Governance in the European Union: Taking Stock and Looking Ahead* ed. Thomas Conzelmann and Randall Smith (Baden-Baden: Nomos, 2008), p. 18

definition is arguably sufficiently comprehensive to contain those phases concerned within the context of cohesion policy in particular.

Colin Scott argues that “The Commission takes governance to be ‘rules, processes and behaviour that affect the way in which powers are exercised at European level, particularly as regards openness, participation, accountability, effectiveness and coherence’”<sup>82</sup> as he refers to the White Paper on European Governance prepared and published by the European Commission in 2000. The model of governance elaborated in the White Paper concerned is arguably in contrast to the model of governance offered by the policy-networks literature ‘which emphasizes ‘self-organizing, inter-organizational networks’ characterized by interdependence between organizations (both state and non-state), a pattern of interactions within networks, observation of ‘rules of the game’ negotiated between the actors, and a degree of autonomy from the state’.<sup>83</sup> Even if the view of the Commission is based on the control and power exercised by it rather than the growing participation of the regional and local actors in the EU decision-making and implementation alongside the interaction of the supranational EU institutions including the Commission with the national and subnational authorities, it does not refute the claim of the multi-level governance and the policy-networks literature that the subnational actors and the growing cooperation between them should be taken into account in order to illustrate the contemporary state of relations and emerging structures in the EU adequately.

### **3.1.2 Origins of Multi-Level Governance**

The debate on the sophisticated and multifaceted institutional structure and competencies of the institutions, member states and the subnational regional and local authorities in the European Union is extremely controversial as to the theories and approaches trying to explain and interpret the evolving structure of the Union are generally situated at entirely distinct points of the debate of the

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<sup>82</sup> Scott, “The Governance of the European Union: The Potential for Multi-Level Control,” p.61

<sup>83</sup> Scott, “The Governance of the European Union: The Potential for Multi-Level Control,” p.61



scholars from different disciplines that ranged from the International Relations to the European Studies and practitioners who act at different levels of the Union.

Liesbet Hooghe and Gary Marks categorized these attempts to conceptualize the structure of the Union as they divided them into two parts. While the analysts that belong to the first category stretch the existing theories, those that belong to the second category preferred creating new approaches and ‘entirely new concepts’.<sup>84</sup> For example, although they were aware of the fact that the Community had many dissimilar features as well as the similarities with the federal entities, scholars of federalism, who are included in the first category, utilised the federalist theory in order to explain the allocation of powers in the EU and to predict the shape it might take in the future through its evolution, keeping in mind the debate on ‘the finality of the Union’. The federalists also participated in the construction of the Union, trying to influence the direction of it apart from the attempts to interpret and predict. “The federal state, however, remains a state and there are limits to the usefulness of this framework of federalism in relation to a non-state entity like the EU” according to Nick Bernard.<sup>85</sup>

The concept ‘multi-level governance’ that emerged in the European Union Studies is the most influential well-known example for the second category. Marks and Hooghe state that “Multi-level governance initially described “a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional and local” that was distinctive of European Union structural policy..., but the term is now applied to the European Union more generally”<sup>86</sup> although they eventually suggested that “political arenas are interconnected rather than nested”<sup>87</sup> as the regional and local players act through the channels crossing across the subnational, national and supranational

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<sup>84</sup> Liesbet Hooghe and Gary Marks, “Unraveling the Central State, but How? Types of Multi-Level Governance” *American Political Science Review* 97: 2 (May 2003): 234.

<sup>85</sup> Nick Bernard, *Multi-Level Governance in the European Union* (The Hague: Kluwer Law International, 2002), p.3.

<sup>86</sup> Liesbet Hooghe and Gary Marks, “Unraveling the Central State, but How? Types of Multi-Level Governance”, p.234.

<sup>87</sup> Liesbet Hooghe and Gary Marks, *Multi-Level Governance and European Integration* (Lanham: Rowman & Littlefield Publishers, 2001), p. 5.

levels without the requirement to acquire the consent of the national authorities. The key point here is that the structural policy is considered to be at the centre of the description of the given concept, while another significant point refers to the territoriality in the classification of the tiers along with the ‘nested’ structure of the governments.

Gary Marks invented the concept ‘multi-level governance’ in 1993 in order to analyse the novel structure of the EU after the emergence and development of the European Cohesion Policy as such. However the concept is originated in his statement which dates back to 1992 as he referred to ‘a complex, multilayered, decision-making process stretching beneath the state as well as above it’. Stephen Gorge indicates that “At this stage Marks thought that there was ‘little reason to believe that the experience of structural policy will be replicated in other policy areas in the EC’” Eventually Marks applied it to the other policy fields as paralleled to the development of cohesion policy and continuously utilized and improved the concept in order to create an alternative model apart from the neofunctionalist and intergovernmentalist perspectives.<sup>88</sup> While the former was based on the concept of functional spillover towards the step-by-step withdrawal of the central governments<sup>89</sup> as ‘Monnet approach’ required, the intergovernmental bargaining was prevalent in the EU according to the latter.

Simona Piattoni defends that “...the simultaneous activation of all three developments – centre-periphery, domestic-foreign and state-society dynamics – is at the core of multi-level governance theorization”<sup>90</sup> while Ian Bache defends that “At the core of the multi-level governance is the argument that collective decision-making and the independent role of supranational institutions are eroding the sovereignty of national governments in Europe.”<sup>91</sup> While the categorization of

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<sup>88</sup> Stephen Gorge, “Multi-Level Governance and the European Union” in *Multi-Level Governance* ed. Ian Bache and Matthew Flinders, (Oxford: Oxford University Press, 2004), p.106.

<sup>89</sup> Gorge, “Multi-Level Governance and the European Union,” p.108.

<sup>90</sup> Simona Piattoni, “Multi-Level Governance: A Historical and Conceptual Analysis,” *European Integration* 31: 2 (March 2009):174.

<sup>91</sup> Ian Bache, *The politics of European Union Regional Policy, Multi-Level Governance or Flexible Gatekeeping* (Sheffield: Sheffield Academic Press, 1998), p. 22.

Piattoni is apparently useful, the view of Bache does not contain the intrinsic element of the multi-level governance theory: subnational actors. Although he deals with the role of the subnational actors within the context of the multi-level governance system in his work, he does not attribute to them a decisive power as assumed by Marks and Hooghe.

### 3.1.3 The Essential Assumptions of Multi-Level Governance

The essential assumptions of multi-level governance might be summarized as follows:

- Shared authority and policy-making influence across multiple levels of government as subnational, national and supranational
- European integration as a polity-creating process
- National governments as formidable in EU policy making
- Control slipped away from the national governments to supranational institutions.
- States' loss of some of their former authoritative control over individuals in their respective territories
- Changed locus of political control<sup>92</sup>

Hooghe and Marks argue that their assumptions reflect a clear standpoint contrasting with the state-centric interpretation of the European Integration which defends that EU is controlled by and strengthening the sovereignty of the states as the supranational EU institutions serve to the interests of the states, depending on the consequences of intergovernmental negotiations and the aspirations of them. The transformation marked by a number of major incidents such as the achievement of the goal to form a single market in 1993, the construction of the EMU and the creation of Euro and the gradual empowerment of the supranational

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<sup>92</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p.2.  
Hooghe and Marks, *Multi-Level Governance and European Integration*, p.2

European institutions and the subnational regional and local actors require a novel conceptualization of the European integration.<sup>93</sup>

### **3.1.4 Multi-Level Governance: Destination of the European Community since the Creation of Cohesion Policy?**

Marks and Hooghe argue that “While the Commission did not use the term “multi-level” governance to describe the 1988 reforms, multi-level governance was indeed the goal.” However Philip Lowe, who “has been Director-General of DG Competition since 2002 and was Head of Cabinet of Bruce Millan, the then Commissioner for Regional Policy between 1989 and 1991,” states that the Commission task force between 1979 and 1981 “was not thinking so much about the grand principles of Cohesion Policy such as solidarity but how the efficiency and effectiveness of Community interventions could be improved through an ‘integrated approach’ which would put the different structural instruments (ERDF, ESF, EIB loans, etc.) at the service of regional or national objectives...” until “both the concepts of efficiency and cohesion were then advanced by Jacques Delors as of 1985 and they enabled him to dominate the debate about a new vision for Europe.”<sup>94</sup> Besides, Bache states that “By the time of the 1988 reform, there was a general agreement among academic commentators that national governments dominated the EC regional policy process.”<sup>95</sup> Therefore, the emerging ‘new vision’ was arguably based on the substance of the multi-level governance system in line with the principles of solidarity and partnership, ensuring the collaboration of the public and private actors at the levels concerned in the EU and creating so-called channels in addition to the participation of the subnational and supranational actors into the game. Just after a decade which followed the historical breakthrough of the 1988 reform which deeply concerns the whole structure of the EU rather than just a single policy area, the new challenges started to emerge as cohesion policy has been exposed to the

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<sup>93</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p.2

<sup>94</sup> “A Debate Between Officials of the European Commission, Looking Back to 1988,” p. 27.

<sup>95</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping*, p. 137.

condemnation and attempts to restructure it in a way that opposed to the fundamental principles of it in compliance to the neoliberal perspective.

### **3.2 Issue of Legitimation: Efficiency and Effectiveness vs. Democracy and Partnership**

The growing number of the officials dealing with the multi-level governance affirmatively in the EU institutions is an indicator of the increasing strength of the concept as Marks and Hooghe also state that “the concept of multi-level governance, which was first developed by academic scholars to explain cohesion policy, has now been taken up by the Commission to describe its own achievements.”<sup>96</sup> For example, Danuta Hübner expressed that “The most important asset, as I believe, is the system of multi-level governance, based on accountability and partnership. This system which, on one hand, fosters economic efficiency and development through co-operation between the European, national and regional levels, on the other, firmly anchors the policy in the Union’s territories and hearts of its citizens”<sup>97</sup> at the 4<sup>th</sup> Cohesion Forum in Brussels in 2007.

The key concepts uttered by Hübner in her speech at the 4<sup>th</sup> Cohesion Forum to demonstrate the core of the system of multi-level governance are ‘accountability’ and ‘partnership’, whereas the origin of the latter is criticized by Nick Bernard who defends that “It may well be that the original *raison d’être* of partnership owes less to a concern about democracy and citizen participation *per se* and more to a concern about the efficient use of the Funds.”<sup>98</sup> However the claim of Bernard is based on the continuity of the unbalanced situation in the EU in terms of the practice of partnership. Theoretically, partnership is not consisted of output legitimation and contains the input legitimation as well, whereas the output legitimation outweighs the input legitimation practically. Besides, the purpose of the policy and extent of the principle of partnership also requires the growing

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<sup>96</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 86.

<sup>97</sup> “Focus on Growth and Jobs,” p. 23.

<sup>98</sup> Bernard, *Multi-Level Governance in the European Union*, p. 112.

number of participants. Bernard suitably suggests that “The problem for the EU, however, is that it can hardly rely on output legitimation alone, not least because, in a pluralistic democratic society, what constitutes the outcome, the ‘public good’, is determined by the input, through the participation of citizens in the decision-making process.”<sup>99</sup> So, the actors and instruments required should be identified and activated in order to achieve the input legitimation as well as the efficiency and effectiveness, as the focus of the policy is on the regional and local actors along with the individuals within the scope of the civil society.

If Tiebout’s suggestion that competition among multiple local jurisdictions leads to more efficient provision of local public services<sup>100</sup> is accurate, then the priority of the reform concerned should be the promotion of the competition between the local jurisdictions. However, consolidationists defend that reduction in the number of the municipalities, merging of the multiple local jurisdictions would be more efficient and effective as a better allocation of the resources is ensured. Therefore, the practical consequences of the academic debate on the number of and relationship between the jurisdictions should be observed in order to ascertain what are the more appropriate objectives to ensure the elimination of the disparities and more developed methods and instruments to achieve the objectives concerned for the reform of cohesion policy.

### **3.3 Implementation of Partnership: Divergence vs. Convergence**

Ian Bache emphasizes that “...partnership in principle applied equally to all Member States, whereas partnership in practice was implemented unevenly.”<sup>101</sup> The uneven implementation of partnership is in contrast to the objectives of cohesion policy which aims at the participation of the poorest regions and disadvantaged societal segments as well, because partnership as such requires rather even practice of it. William M. Downs suggest that “Finally, regionalism is

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<sup>99</sup> Bernard, *Multi-Level Governance in the European Union*, p. 7.

<sup>100</sup> Liesbet Hooghe and Gary Marks, “Unraveling the Central State, but How? Types of Multi-Level Governance” p. 235.

<sup>101</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping*, p. 99.

partially a function of the capacity of regional institutions (legislatures and executives) to respond to the opportunities of European integration by seeking to internally secure democratic gains by way of decentralisation and to externally secure profit and prominence through representation in EU-level institutions.”<sup>102</sup> Therefore, the demand of the regions to have their say in the decision-making process is also required in order to activate and make a better use of their potential. However, the degree of demand, participation and development in terms of the multi-level governance in the EU varies from a region to one another very highly as a sign of excessive divergence so that the question that is the aim of cohesion policy to ensure convergence, eradicating the disparities realistic is under discussion. On the other hand, it seems to be suitable to assume that the gap between the poorest and richest regions would be much deeper in the single market without cohesion policy unless an alternative way of regional development is discovered.

### **3.4 Alliance of Subnational and Supranational Actors vs. Central Governments**

#### **3.4.1 Supranational Actors vs. National Governments**

The role of the supranational EU institutions in the decision and policy-making process was eventually reinforced by the subsequent reforms which also involve the significance of cohesion policy as paralleled to the considerable development of the regional and local actors. Despite the state-centrists’ core assumption is that the intergovernmentalist bargaining and the interest of the states the determining the low common denominator at all levels of the European Union that also include the European institutions which covers the central role of the member states, the Commission expands its range of competences regarding the projects and proposals prepared by it and its influence in the monitoring and implementation process along with the majority-voting in the Council of

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<sup>102</sup> William M. Downs, “Regionalism in the European Union,” *European Integration* 24: 3 (November 2001): 172.

Ministers is recognized in the increasing number of policy fields that include cohesion policy as well. Marks and Hooghe express the fact that “The power of the EP in the European political process has grown by leaps and bounds over the past twenty years, and collective national control of decision making has declined as a result.”<sup>103</sup>

The Commission and the national courts are the partners of the European Court of Justice (ECJ) in the transformation of the EU law towards a supranational structure through the implementation of the principles of supremacy and direct effect, gaining the legitimacy in the member states and eventually penetrating into the national law as it leads to the flourishing of the multi-level governance system, according to Marks and Hooghe.<sup>104</sup>

The disparities between the regions in the EU alongside the practice of cohesion policy all across the European Union provide a clue regarding the uneven structure of the multi-level governance system in accordance with the division of the tasks, arenas and the so-called levels that are consisted of the subnational, national and supranational actors. Cohesion policy is Europe-wide in the eyes of Hooghe and Marks who emphasize that the designation and finance of it is conducted by the member states and the European Commission at the European level. The stages of the policy ranged from the construction to the implementation differ, depending on the territory to a large extent.<sup>105</sup> Therefore, the evaluation of the contribution made by and the relation between the supranational, national, regional and local actors at the different stages of the policy has vital importance in order to comprehend the degree of the multi-level interaction.

The national governments that are accompanied by the Commission decide on the allocation of the resources before objectives of cohesion policy are determined as the negotiations between them in order to ascertain the share of each country are obviously dominant at this stage of the policy-making. The negotiations on the

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<sup>103</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 6.

<sup>104</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 27.

<sup>105</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 93.



content of the Community Support Frameworks related to the multi-annual programmes also correspond to the turning points of cohesion policy in 1988, 1993 and 1999 respectively which are marked by the reforms.<sup>106</sup> “Regulation 2082/93/EEC stipulated in its preamble that implementation of assistance contained in Community support frameworks should be primarily the responsibility of the Member States” according to Nick Bernard.<sup>107</sup> Since then some of the disadvantaged regions which benefited from cohesion policy to a large extent have been able to catch up with the more developed regions so that the re-planning of the distribution of the financial support requires multi-annual programmes in compliance to the transformation and development. After the member states decide on the budgetary distribution, the Commission commences to play the major role in terms of the resolution on and accomplishment of the objectives, although it is sometimes limited by the national governments such as the British, French, German and Spanish governments which attempted to the renationalization and recentralization of cohesion policy in 1993 and achieved it to a less extent at the expense of the power of the Commission in the designation of the institutions as explained above.<sup>108</sup> The participation of the subnational players as well as the supranational and national players is required at the structural programming stage of cohesion policy, although the role of the different players gain more importance than the others at the different phases, depending on the characteristics of the each territory and country.

### **3.4.2 Regions vs. National Governments**

William M. Downs assumes that “The crux of the regional phenomenon lies in the strategic dilemmas faced by constitutional regions and other meso-level authorities over how to broaden their scope for autonomous action, how to enhance their ability to act as entrepreneurs, and how to increase the possibilities of adapting supranational policies to local conditions”<sup>109</sup> in the context of the

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<sup>106</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 94.

<sup>107</sup> Bernard, *Multi-Level Governance in the European Union*, p. 122.

<sup>108</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 96.

<sup>109</sup> William M. Downs, “Regionalism in the European Union,” *European Integration* 24: 3 (November 2001): 172.

European integration. This assumption is based on some premises such as the regions in the EU are capable of having direct communication with the supranational institutions through the channels they have even to the extent that they can influence them more or less. Another premise would be the regions already act autonomously, although it does not mean they acquire the status of autonomy. Therefore, they are supposed to represent their own interests rather than the interest of the central-state that they belong to over a number of issues in the related platforms. It triggers a question that how would the reform concerned have an impact on the ‘balance of power’ in case there is a confrontation between the interests of the central-state and those of the regions. There are many factors that shape the flow of the events during the reform-making process so that the actors which participate in the negotiations and more or less include the regional authorities are supposed to defend their own interests as well as the interest of the Community, interpreting the common good and interests through the eyes of the their own institution.

### 3.4.3 Empowerment of Subnational Actors

Hendrik Vos, Tine Boucké and Carl Devos state that “in order to defend and extend their position in the EU multi-level governance system and in order to realize their potential added value, regions need to be acknowledged as full upper-level players”<sup>110</sup> in their work in which they propose that regions are respectively ‘agents of efficiency, watchdogs of EU policy, guardians of cultural diversity, commercial cultivators and agents of democratization’<sup>111</sup> at last as the ‘*raison d’être* of the regions in the European multi-level structure.’<sup>112</sup> The role of the regional actors at the European level can gain more importance through the reform of regional policy or through a better implementation of the existing policies which is also in favour of the participation of the regions as the principles

<sup>110</sup> Hendrik Vos, Tine Boucké and Carl Devos, “The *Conditio Cine Qua Non* of the Added Value of Regions in the EU: Upper-Level Representation as the Fundamental Condition,” *European Integration* 24: 3 (November 2001): 205.

<sup>111</sup> Vos, Boucké and Devos, “The *Conditio Cine Qua Non* of the Added Value of Regions in the EU: Upper-Level Representation as the Fundamental Condition,” pp. 206-208.

<sup>112</sup> Vos, Boucké and Devos, “The *Conditio Cine Qua Non* of the Added Value of Regions in the EU: Upper-Level Representation as the Fundamental Condition,” p. 207.

of subsidiarity, partnership and solidarity actually lays the legal basis that might be sufficient to activate the regions. However, some of the regional and local actors also lack the essential features such as the willingness, capacities and capabilities to participate as the aim of cohesion policy which is to alleviate the disparities in a multi-level governance system through the dispersion of authority across the multiple accession points contain some elements that might constitute a barrier themselves before the achievement of the objectives of the policy. Besides, it is under discussion whether the multiple accession points to the decision-making mechanism in the EU institutional architecture can induce to overlapping jurisdictions which can lead to a deadlock by ‘the joint-decision trap’ at the policy-making, monitoring and implementation phases.<sup>113</sup> The fact that the disparities vary from one region to one another to a large extent is one of the reasons why some regions are capable of representing their interests at the European level better than the others, influencing the decision-making process and benefiting from the same legal system as the other regions are also obliged to fulfil the requirements of it.

#### **3.4.4 Subnational Actors through the Channels towards the EU**

The European institutional architecture and the initiatives taken by the subnational authorities to participate allow the development of the well-suited conditions for the construction of the channels that are composed of the connections with the Committee of the Regions, Council of Ministers, the European Commission, subnational offices in Brussels and transnational networks as these channels transmit the information and ensure communication, participation and cooperation between the European institutions and the regional and local actors.<sup>114</sup>

Although it is considered to be one of the so-called channels, the Committee of the Regions, which was created by the Treaty on the European Union (TEU) in

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<sup>113</sup> Arthur Benz and Burkard Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* (Badia Fiasolana: European University Institute, 1998), p. 2.

<sup>114</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, pp. 81-91.

Maastricht by incorporating it into the EC Treaty under the Article 263<sup>115</sup>, has not been able to cross the constraints which reduce it to a consultative body and do not let it acquire any legal powers alongside the competences to make binding decisions.<sup>116</sup> A reform of cohesion policy has to aim at the modification of the current inefficient and incompetent legal status and structure of the Committee, taking into account the option that it might be empowered by the legally binding competences in a way that also contributes to the participation of the regions. It may be assumed that it is likely to render the Committee very vibrant channel for the subnational actors as it directly addresses to and is for and by the regions themselves.

While Andrew Evans states that “A regional minister might be prevented from expressing regional interests divergent from those pursued by the central institutions of his member state. At least, if there is a clash of interests between central and regional institutions of a member state, Article 203 TEC allows for national law to give priority to the interests of the former institutions”<sup>117</sup> At the first sight, this restriction seemingly demonstrates prevailing and privileged position of the member states. However a closer view would be able to find out the another dimension of the restrictions on the subnational actors, noticing the opportunities provided by the evolving multi-level governance system of the EU in favour of the regional and local actors. Despite the fact that the member states are authorized to make decisions on the regional participation in the Council of Ministers and the regional actors which are allowed to participate by their national governments must represent the interests of their respective countries rather than their regions in accordance with the Maastricht Treaty, the Council of Ministers arguably corresponds to the general features of the channels, providing the regions with the opportunity to participate in the EU decision-making.<sup>118</sup> Ironically, the existence of the national states accompanying the regions through the channels might contradict with the substance of the idea of the channels as

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<sup>115</sup> Evans, “Regionalism in the EU: Legal Organisation of a challenging social phenomenon,” p. 225.

<sup>116</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 82.

<sup>117</sup> Evans, “Regionalism in the EU: Legal Organisation of a challenging social phenomenon,” p. 221.

<sup>118</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 83.

they still restrict the subnational actors, keeping the right to make ultimate decision on the participation of the actor for themselves. However, once the regions accomplish the representation in the Council, as long as they continue to defend the national interests, the right to vote assigned to them delves into the core of the system, ensuring the removal or inefficiency of the obstructions that limit the advancement of the regional and local actors inside the channel concerned. The role of the Commission which contains the arrival and departure platforms that are situated at the junction of the related channel is composed of the fundamental point of cohesion policy. The Commission has been able to transform the limited role which is consisted of communicating with the member states individually as to a more comprehensive and competent role which rendered the Commission eligible to move through all the levels and arenas emerged, strengthening the linkages between them through the principle of partnership thanks to the ground-breaking contribution of the 1988 reform.<sup>119</sup>

The growing number of the offices that represent the regional and local actors is also considered to be a reliable indicator of the mobilization of the subnational actors through the gradual establishment of another channel, though the reasons of them to exploit this channel are under discussion. The emphasis of Marks and Hooghe in terms of the reasons of regional representation in Brussels is on the opportunity to access to the information as the regions have been able to extract the information themselves directly without the intervention of the national governments in spite of the constrains of them.<sup>120</sup>

Finally, another way of channelling the interests of the subnational players, the transnational networks which arguably conveyed regionalism beyond the individual member states, were constructed by the regional and local authorities, grouping the regions with the similar features in order to find common solutions to the common problems by cooperation and solidarity alongside the representation of those transnational networks in Brussels.<sup>121</sup>

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<sup>119</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 84.

<sup>120</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 87.

<sup>121</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 89.

### 3.4.5 Legal Requirements to Safeguard the Regional Participation

The lack of regulations to join the subnational actors obliging both the central governments and the subnational actors is pointed out by the scholars. For example, Nick Bernard states that “The absence of any obligation on the social partners in relation to the choice of negotiating partners stands in sharp contrast to the existence of legally binding duty on the Member States to establish a representative partnership in the context of the Structural Funds.”<sup>122</sup> His emphasis is obviously on the absence of legal obligations imposed on the social partners like the trade unions. However, it might be extended to the regional and local actors in general. As far as the principle of partnership in a very general sense is concerned, it can be argued that the participation of the regional and local actors in the reform negotiations of cohesion policy should be obligatory in order to ensure the democratic legitimacy, effectiveness and efficiency, safeguarding the system of multi-level governance as the reform is extremely relevant to the development of the regions. Moreover, John B. Sutcliffe’s claim is supportive of and complementary to Bernard’s view as its emphasis is on the lack of regulations imposed on the central governments: “The structural fund regulations did not command central governments to include subnational actors in regional policy-making. Instead, they stated that central governments were responsible for designating the subnational actors that would participate in partnerships.”<sup>123</sup> In addition to the points dealt with by those scholars, the aspect that Andrew Evans covers in terms of the insufficient and incompetent legally binding regulations is also necessary to contain in order to reach a comprehensive illustration of the issue concerned: “..., in the absence of EU legal guarantees of the degree of autonomy for regional institutions assumed by the literature on multi-level governance, regional institutions may lack the resources to participate in such networks. Indeed, their lack of resources may be exaggerated rather than

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<sup>122</sup> Bernard, *Multi-Level Governance in the European Union*, p. 115.

<sup>123</sup> Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p.296.

compensated by EU decision making. In other words, multi-level governance may be undermined by the dominant role of central institutions of member states in Union decision making”<sup>124</sup> Therefore the prospective reform of cohesion policy has to consider the necessity of legally binding obligations imposed on both the national governments and subnational actors so that the principle of partnership will be put into practice more effectively and efficiently.

### **3.4.6 Flexible Gatekeeping vs. Multi-Level Governance**

Bache asserts that the ‘flexible gatekeeping’ perspective centered in the predominance of the national governments in terms of the European cohesion policy<sup>125</sup> might ensure an adequate means to explain the essential characteristics of the European polity. He rather attempts to refute the validity that multi-level governance claims, while at the core of his assumption stands the premise that national government gatekeeping prevails the subnational participation by preventing it to transform its mobilization into an decisive and influential instrument which might claim power in the decision-making: “On occasions, the consequence of national government gatekeeping is a political arena characterized less by multi-level governance than by multi-level participation: actors from subnational and supranational levels participate, but do not significantly influence decision-making outcomes.”<sup>126</sup> Then, it may well be argued that, if not *significantly*, they influence to a lesser extent as it is likely the degree of their influence might rise. The view of Frederik Fleurke and Rolf Williemse is supportive of and complementary to the statement of Bache as the article written by them is based on the question whether the European Union empowered the regional and local authorities in the decision-making process or actually weakened them as the authors defend that although the one-sided view on the contribution of the EU to the role of the sub-national actors is widespread, the EU

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<sup>124</sup> Evans, “Regionalism in the EU: Legal Organisation of a challenging social phenomenon,” p. 233.

<sup>125</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping*, p. 156.

<sup>126</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping*, p.155.

also restricts and channels them, influencing the decision-making at the sub-national level considerably. They remind that there is an alternative view emphasizing the dominant role of the central-governments in the negotiations with the supranational EU institutions and implementation of the EU regional policy, in comparison to rather passive role played by so-called sub-national actors.<sup>127</sup> Therefore, “European integration “undermines legal and constitutional arrangements guaranteeing regional autonomy”” as it might eventually lead to recentralization according to the representatives of this alternative view.<sup>128</sup> There is also an intergovernmentalist view of which supporters defend that European integration has no noticeable impact on the development and participation of the regional and local actors, either positively or negatively, apart from the scholars who defend that regional policy of the EU significantly influenced them.<sup>129</sup> Therefore, in response to the approaches they criticize, Fleurke and Williemse come up with a fourth approach in order to measure the degree and genuine characteristics of the influence of the EU at the sub-national level, suggesting that because scholars lack a multi-dimensional perspective that consider the different aspects as well as the different policy fields, vague and one-sided views on the issue and the case that they cover emerge, depending on the selection of the case and policy field along with the particular aspects of it. Their fourth approach claims that “the EU constrains sub-national decision making as well as enhancing it,” taking into account the influence and presence of the EU at the sub-national level in accordance with the conclusions they draw at the end of the given article.<sup>130</sup> However, the argument that the EU has both enhancing and constraining effects contradicts neither with the assumption that the EU promotes and strengthens the participation of the regions nor with the one that it eventually restricts and weakens them as both these claims point to the major direction of the

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<sup>127</sup> Frederik Fleurke and Rolf Williemse, “Effects of the European Union on Sub-National Decision-Making: Enhancement or Constriction?,” *European Integration* 29: 1 (March 2007): 69-86

<sup>128</sup> Fleurke and Williemse, “Effects of the European Union on Sub-National Decision-Making: Enhancement or Constriction?,” p. 71

<sup>129</sup> Fleurke and Williemse, “Effects of the European Union on Sub-National Decision-Making: Enhancement or Constriction?,” p. 72

<sup>130</sup> Fleurke and Williemse, “Effects of the European Union on Sub-National Decision-Making: Enhancement or Constriction?,” pp. 85-86



influence rather than the effect of particular elements they include. Besides, a well-designed assessment of the enhancing and constraining effects in the scope of the reform of cohesion policy is entailed in order to estimate the future impact of the modifications on the multi-level governance system as the renationalization/recentralization would be at the expense of the sub-national level and at odds with the explanatory power of multi-level governance in terms of the European integration so that it would be in favour of the alternative approaches and theories.

### **3.4.7 Multi-Level Governance in the Implementation of Cohesion Policy**

While Marks and Hooghe defend that “Multi-level governance is prominent in the implementation stage,” “The most prominent example is cohesion policy”<sup>131</sup> regarding the role of the Commission as well as the regional and local actors so that the institutionalization of the channels linking the regional and local actors to the Commission is marked by the contribution of the principle of partnership. At this point, Bache raises objection by asserting that “The problem for the European Commission in securing policy objectives agreed at EU level is its dependence on national administrative systems for policy implementation”<sup>132</sup> as he suggests the ‘flexible gatekeeping’ perspective which basically ‘assume national governments are crucial actors in the EU policy processes’<sup>133</sup> is capable of uncovering the backbone of cohesion policy. In order to challenge the most prominent point of multi-level governance, which is arguably the implementation stage and cohesion policy itself, he refers to Pollack who assumes that ‘Collectively, the Council has adopted fund regulations which, despite the principles of partnership and additionality, maintain much of the gatekeeping ability of the member governments.’ and ‘for the 90 percent of the Structural Funds allocated to national

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<sup>131</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 24.

<sup>132</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping*, p. 28.

<sup>133</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping*, p. 147.

and regional CSFs, the member governments remain the gatekeepers to regional participation in Community structural policymaking<sup>134</sup>

### 3.4.8 Principal-Agent Theory vs. Multi-Level Governance

Jens Blom-Hansen asks the question “who controls the implementation of EU cohesion policy?” assuming that the concept multi-level governance is not sufficiently well-equipped in order to give a satisfactory explanation for this implication of the given question. Therefore, he defends that the principal-agent theory would provide the well-suited tools and applies it to the debate on cohesion policy.<sup>135</sup> If one interprets the opinion of Marks and Hooghe on this theory, it would be possible to come to the conclusion that the principal-agent theory is actually a kind of extension of the intergovernmentalist theory as the principals of it, the member states hold the ultimate control of the EU, creating the agent institutions such as the Commission and the Parliament, because the relationship between the states would be deprived of regulatory and mediating mechanisms, conducing to sort of anarchy in the absence of such institutions and the maximization of the benefits that the Member States can reap would be prevented.<sup>136</sup>

Jens Blom-Hansen reminds that the projects created and implemented by the member states should serve to the accomplishment of the common objectives of the EU, creating an added-value in accordance with the principle of additionality<sup>137</sup> as Jérôme Vignon explains that “the political idea was ‘if you help yourself, Europe will help you’...”<sup>138</sup> However, Blom-Hansen questions whether the member states are reliable partners at the implementation phase as they might

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<sup>134</sup> Bache, *The politics of European Union Regional Policy, Multi-level Governance or Flexible Gatekeeping*, p. 28.

<sup>135</sup> Jens Blom-Hansen, “Principals, Agents, and the Implementation of EU Cohesion Policy,” *Journal of European Public Policy* 12: 4 (August 2005): 624-625.

<sup>136</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 10.

<sup>137</sup> Jens Blom-Hansen, “Principals, Agents, and the Implementation of EU Cohesion Policy,” p. 624.

<sup>138</sup> Inforegio panorama, *EU Cohesion Policy 1988-2008: Investing in Europe’s Future, Looking back to 1988*, No.26, June 2008, p.28

have the tendency to give priority to the national interests in the absence of a tight monitoring.<sup>139</sup> Therefore, the determination of the actors in charge of cohesion policy is entailed in order to comprehend the level of the risk concerned.

Blom-Hansen states that “the goals of the EU cohesion policy are set at different levels of the EU hierarchy” as article 158 of TEC declares the purpose of the economic and social cohesion as well as the rationale behind it and the major actors that act and activate the other actors and instruments to reach the objectives of cohesion policy are the European Council and Council of Ministers which establish the major objectives and the European Commission which sets the goals in accordance with those major objectives.<sup>140</sup>

The substance of the claim of Blom-Hansen is that “EU control mechanisms are weak and that the goals formulated at the EU level are likely to be remoulded in the implementation process in order to suit the preferences of the implementing actors at the national level”<sup>141</sup> in addition to the assumption that the deficiency and failure of multi-level governance model is in its lack of explanatory power to ascertain the role of the different actors and their importance at different levels.<sup>142</sup>

In addition to the one explained above, he identifies the other deficiencies of the multi-level governance model as follows: The multi-level governance model assumes the empowerment of the sub-national and supranational actors and decline in the influence of the national governments, although the strength and roles of the actors as well as the reasons of this process of simultaneous rise and decline are not clarified in the related literature. According to him, multi-level governance model cannot illuminate the reason why the supranational EU institutions are not capable of preventing the influence of the national and subnational actors at the implementation phase properly, assuming that the actors

<sup>139</sup> Jens Blom-Hansen, “Principals, Agents, and the Implementation of EU Cohesion Policy,” p. 625.

<sup>140</sup> Jens Blom-Hansen, “Principals, Agents, and the Implementation of EU Cohesion Policy,” pp. 624-625.

<sup>141</sup> Jens Blom-Hansen, “Principals, Agents, and the Implementation of EU Cohesion Policy,” p. 624.

<sup>142</sup> Jens Blom-Hansen, “Principals, Agents, and the Implementation of EU Cohesion Policy,” p. 625.

concerned are not supposed to get involved in the process to the extent that they can also have an impact on the structure of the policy as required by the principle of partnership.<sup>143</sup>

Although the Blom-Hansen's perception of the principal-agent theory does not explicitly challenge the multi-level governance model as to the claim that it represents an alternative in the context and for the analysis of cohesion policy, examining the deficiencies of the model concerned, the rationale behind it along with the ground of premises it is erected on shows that the role played by the regions is not considerable in cohesion policy so that there is an interstate play in the EU rather than multi-level interaction intertwined with the policy networks because the so-called agent is exposed to the continuous intervention and full control of the principal in his eyes. Therefore, the reform would be a solid and isolated act of the principal to impose on the regional agents rather than the actors, according to this assumption. Besides, he implicitly defends that the purpose and willingness of the member states in charge at full length rather than the pressure and demand of the regional actors, claiming that "the more precise the mandate, the less room for agency drift".<sup>144</sup> On the one hand, he suggests that the principle-agent model enables him to analyse the control mechanism and the degree of its power to hold the control in the implementation of cohesion policy, on the other hand, whether it is considerable or not, he turns a blind eye to the role of the regional and local actors. Therefore, it can be argued that principal-agent perspective is contradictory rather than complementary with the multi-level governance theory as it is in coherence with the intergovernmentalist view. Besides, the EU is considered to be ineffective as a principal over the member states which represents the agents according to this approach because "the mandate to the member states is broad and has only a weak legal foundation. The grants from the structural funds cannot be used by the EU as an economic incentive to the member states. Administrative procedures do not contain any real

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<sup>143</sup> Jens Blom-Hansen, "Principals, Agents, and the Implementation of EU Cohesion Policy," pp. 627-629.

<sup>144</sup> Jens Blom-Hansen, "Principals, Agents, and the Implementation of EU Cohesion Policy," p. 631.

incentives to act in ways contrary to business as usual.”<sup>145</sup> This argument can lead to the conclusion that the reform of cohesion policy might not strengthen the supposedly weak legal foundation of the EU which is impotent in comparison to the power of the member states on the regional and local agents in terms of its influence on the implementation process, considering the implicit assumption that even the 1988 reform had not been able to ensure a firm legal basis in spite of its relatively higher impact on the development of cohesion policy.

Although the principle-agent theory is operated against the validity of multi-level governance by some authors, Hooghe and Marks have also dealt with this theory in the context of the European integration, stressing the multiplicity of the agents in the EU as they suggest that the number of the principals is equal to the number of the member states. Their perception of the principal-agent theory does not reduce the European Commission and the European Court of Justice to the agents of the member states, which performs in the EU institutional architecture, complying with the obligations imposed on them by the member states through the power of the incentives.<sup>146</sup> Therefore, the rulings of the Court of Justice, the principles of direct effect and supremacy as the indicators of its major role, the fundamental role of the Commission in the construction of cohesion policy represents the key points on the contrary to the interpretation of the principal-agent theory at the expense of the supranational EU institutions.

### **3.4.9 Joint Decision Trap: Deadlock of the Multi-Level Governance System?**

The work of Arthur Benz and Burkard Eberlein which is based on the analysis of the regions in the context of the multi-level governance endeavours to prove that a possible deadlock of this system concerning the interaction between the regional and national governments as well as the EU institutions due to the joint decision trap as argued by Fritz W. Scharpf can be avoided or prevented through the use of

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<sup>145</sup> Jens Blom-Hansen, “Principals, Agents, and the Implementation of EU Cohesion Policy,” p. 633.

<sup>146</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, pp. 10-12

‘loose coupling’ and a well-adjusted use of the intrinsic elements of the governance such as the policy networks and cooperative and competitive components.<sup>147</sup> ‘Loose coupling’, which can arguably thwart the possible deadlock, means that “decisions in one arena do not completely determine decisions in other arenas but only influence parts of the decision premises”.<sup>148</sup> The obstacles to cope with, such as the so-called democratic deficit apart from the joint decision trap seem to be intrinsic and structural as well: The EU as “a loosely integrated multi-level system of governance characterized by fragmentation and complexity”<sup>149</sup> However it would be appropriate to perceive the interaction of the arenas where decisions are made on this fragmented and complex ground as a reciprocal relationship which has only partial impact on the decision-making mechanism of the other arenas in accordance with the idea of loose coupling, rather than a reflection of an absolute hierarchical structure with some elements that obtain a decisive authority upon the others in accordance with an approach based on a determinist understanding of causality. Therefore the scholars concerned indicate to the state of balance in the system in which “while the differentiation of decision-making structures (decoupling) creates room for competition between autonomous units, “loose coupling” again allows the diffusion of new ideas within the system.”<sup>150</sup> If it is demonstrated by providing sufficient evidence that this sophisticated mechanism functions effectively and efficiently, guaranteeing that this multi-level structure exists and is worth protecting, a substantial reform might shake the ground of this fragile and vulnerable entity in which a danger of arising confrontation can exceed beyond the limits of vigorous debates and dynamism, reaching a deadlock in case of an activated joint decision trap. Therefore, the fundamental principles such as the solidarity, partnership and additionality should be able to endure the pressure of an unbalanced movement in a case that one of the constituent units such as the competitive dynamics that tend to decoupling or the cooperative dynamics that

<sup>147</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 2.

<sup>148</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 19.

<sup>149</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 3.

<sup>150</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 20.

tend to loose coupling can prevail at the expense of one another, that is to say, against the common concerns of the compound, during the reform of cohesion policy. Benz and Eberlein assume that the decoupling might outweigh loose coupling, stating that “cooperative and “soft” patterns of “loose coupling” might not be readily available as devices for the successful integration of the regional level. Confrontation, competition, and hierarchy will presumably continue to play a more important role,”<sup>151</sup> although they suggest “loose coupling” as an instrument to avoid a potential deadlock. Then, the prospective reform of cohesion policy is supposed to take into consideration the necessity to ensure, preserve and enhance the feasible conditions for the availability of the patterns of loose coupling in favour of the well-balanced scales which arguably secure an insurance against the deadlock.

The theory of joint decision trap requires the existence of a kind of joint-decision system and has some similarities with the intergovernmentalist view as it implies that the supranational EU institutions cannot take any genuine initiatives in the decision-making because the mechanism developed by the member states can build up a firm barricade whenever it threatens the interests of some of the member states at least, so that it is unlikely to make a major difference and progress as the system is inclined to instability and confrontation.<sup>152</sup> There are a number of ‘arenas’ apart from the European, national and regional ‘levels’ in the formation of the EU according to Benz and Eberlein and the confrontation between these arenas leads to the instability of the system.<sup>153</sup> They suggest, the confrontation and tension of this system is ‘inherent’ and one can produce only partial solutions to relieve it. However, they state that “regionalization did not add to institutional disorder and deadlock. Instead, it produced “dynamic restructuring processes” of intergovernmental relations.”<sup>154</sup>

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<sup>151</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 21.

<sup>152</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 10.

<sup>153</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 5.

<sup>154</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 8.

Benz and Eberlein suggest that the contributions of the 1988 reform of cohesion policy can be summarized as follows: An integrative approach to policy-making, enhancement of vertical intergovernmental coordination through the principle of partnership, joint finance of the projects by the EU, national and regional governments, the promotion of regional policy networks.<sup>155</sup> Therefore the enhancement of the established instruments paralleled to the emergence of the new instruments along with the eradication of the obstacles preventing the active participation of the regions in the decision-making and the elimination of the disparities between them in order to recognize the status of the regions as an intrinsic element of the multi-level governance system should arguably take place in the future reforms of cohesion policy in accordance with the *raison d'être* of the policy, ensuring an enhanced interaction of the components at different levels and arenas of this compound and taking into consideration the debate on the 'Europe of the Regions' or 'Europe with the Regions'.

#### **3.4.10 Europe of Regions vs. Europe with Regions**

As far as the idea of 'Europe of the Regions' or 'Europe with the Regions' debate is concerned, the existence of the ethnic/cultural communities within the borders of the national states alongside the economic factors which are based on regional development lays ground for the creation of the distinct regional identities as Alexander Murphy suggests that "The emergence of increasingly predominant substate nationalist movements has made it difficult to view Europe solely as a collection of nations, each with its own state."<sup>156</sup>

Simona Piattoni states that "Even though much of empirically orientated 'Europe of the regions' literature often concluded that the regions that best promoted their interests still did so by working through their national governments (hence, the more apt phrase 'Europe with the regions', cf. Hooghe

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<sup>155</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction* p. 9.

<sup>156</sup> Alexander Murphy, "Rethinking Multi-Level Governance in a Changing European Union: Why Metageography and Territoriality Matter," *GeoJournal* 72: 7 (2008): 10.



and Marks 1996; Keating and Hooghe 1996), the essence of the MLG reflection necessarily pointed in the direction of a confusion (con-fusion) of established processes and hierarchies and the emergence of new configurations of powers and competencies.”<sup>157</sup> Therefore, the claim that the existence of the direct channels between the subnational actors and the supranational institutions without the interference of the national governments might be more beneficial in terms of the promotion of the regions’ interests is not necessarily true. Besides, it also endangers the explanatory power and validity of the multi-level governance theory which assumes the direct communication of the subnational and supranational actors already exists and in favour of the regional development, although the supporters of this claim also deal with the shortcomings of it.

Piattoni also reminds that “...the ‘Europe of the regions’ literature postulated a causal correlation between growing Europeanization and the strengthening of regional identities, while the literature on ‘Europe with the regions’ reduced the causal claim to a mere correlation, with the EU acting as an additional structure of political opportunities that only some regions were willing and able to exploit effectively.”<sup>158</sup> However, even if it is true that ‘the regions that best promoted their interests still did so by working through their national governments’ and ‘only some regions were willing and able to exploit effectively’ it does not necessarily mean, the regional and local actors will not be able to exploit the new channels of communication better in favour of the regional development and the multi-level governance system in the future as paralleled to the enhancement of the novel instruments and emergence of the new structures within the context of the multi-level governance.

### **3.4.11 EU Policy-Making: Multi-Level vs. State Centric**

As far as the potential impact of the reform on the policy-making is concerned, one should deal with the related characteristics of the policy-making in the EU,

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<sup>157</sup> Piattoni, “Multi-Level Governance: A Historical and Conceptual Analysis,” p. 167.

<sup>158</sup> Piattoni, “Multi-Level Governance: A Historical and Conceptual Analysis,” p.173

concerning the perspective suggested by the multi-level governance theory along with the state-centric view as its major antagonist. The multi-level governance arguably attempts to generate a novel understanding of the European integration beyond the dichotomy of intergovernmental and supranational perception of it.<sup>159</sup> Therefore its insight of the policy-making in the EU is supposed to be either rejecting or merging the neo-functionalism and intergovernmentalism. Although it does not deny that the central governments play a major role in the EU decision-making, obviously it does not locate them at the centre of the European polity either, as the major role attributed to the national governments might be considered to be a kind of concession to the so-called state-centric view in a sense, as compromised by the supranational EU institutions as well as the subnational actors which arguably get stronger step by step at the expense of the state sovereignty.

The contribution of the European institutions to the EU legislation is pointed out by Hooghe and Marks as they state that “the great reform of the EU cohesion policy was, for example, mandated by treaty in 1986 but was hammered into innovative institutional form by the Commission. According to the Commission, which has no reason to belittle national governments, treaties generate only one-tenth of its legislative proposals.”<sup>160</sup> Besides, it also pertains to the development of the regional and local actors as well as the central role of the reform concerned in the formation of the multi-level governance theory and system. Because the novelty of the emerging polity was arguably deprived of a clear understanding and comprehensive explanation, the multi-level governance has been designed for this purpose. The position of the Commission as the agenda setter at the policy initiation phase of the policy-making is depicted by Marks and Hooghe as follows: “The picture that emerges is one where the Commission holds the pen but is subjected to pressures from many actors. Policy initiation in the European Union is a multi-actor activity. It includes, in addition to the Commission, the European Council, the European Parliament, the Council of Ministers, and

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<sup>159</sup> Gorge, “Multi-Level Governance and the European Union,” p.108.

<sup>160</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 13.

interest groups alongside individual member states.”<sup>161</sup> The specificity of the legislative proposals of the Commission is situated on the flexibility of the broad guidelines prepared by the European Council, which are too general in order to influence and control the work of the Commission immensely. The competence of the European Parliament allows it to ask the European Commission to prepare proposal on a particular issue in accordance with the article 192 of the Treaty on the European Community (TEC). Although Marks and Hooghe attribute more importance to the role of the Commission, they also indicate that “the Commission operates in a system of multi-level governance involving competition and interdependence among it and the European Council, Council of Ministers, and European Parliament.”<sup>162</sup> Bruce Milan emphasizes the increasing role and influence of the Commission in terms of the decision-making and implementation process of the structural funds from 1988 to 1993 as he shares his own experiences, stating that “It is not usual in the Community when you are dealing with huge sums of money like that, to have the Council of Ministers virtually excluded. The only time I had to do anything with the Council of Ministers was getting the revised Regulations through in 1993. I didn’t have any other Regulations the whole time I was there. We didn’t even have a Council of Ministers, we only had informal meetings with Ministers from time to time, not in every presidency, and these didn’t make any decisions anyway.”<sup>163</sup> The comparison of the European institutions in terms of the competences they have as well as their impact on the whole process including the decision-making, implementation, monitoring etc. in practice requires a well-balanced assessment which takes into account the evolution of the institutions along with the different aspects and turning points of cohesion policy. Nick Bernard’s explanation ensures an adequate measurement of the role played by the European Commission: “The plans put forward by the Member State will naturally reflect that Member State’s own regional and social development priorities. The intervention of the Commission at this stage, however, is not limited to checking the soundness of the plans from the Member State’s own perspective but also ensuring its

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<sup>161</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 14.

<sup>162</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 16.

<sup>163</sup> John B. Sutcliffe, “The 1999 Reform of the Structural Fund Regulations: Multi-Level Governance or Renationalization?,” p. 300.

coherence with the Community's own policies.”<sup>164</sup> Therefore the interdependence of the supranational, national and subnational levels of the EU prevails over an intergovernmentalist interpretation which underestimates the role of the Commission and “a system of multi-level governance involving competition and interdependence among it and the European Council, Council of Ministers, and European Parliament”<sup>165</sup> is seemingly the most appropriate description of the European polity without ignoring the decreasing power of the European Commission in some stages of the process after the subsequent reforms of cohesion policy.

The power of the member states in the decision-making decreases gradually as they pool or share their sovereignty if they, step by step, do not lose it either partially or completely in favour of the supranational and subnational actors in the EU according to the multi-level governance model. The Single European Act laid the basis for upgrading the European Parliament in terms of its legislative power, while the ability of the member states to dominate the EU legislation through the Council of Ministers is gradually downgraded as it is exposed to serious restrictions. The number of the policy fields which require the qualified majority voting instead of unanimity in the Council is increasing steadily so that the likelihood that a state can drag the decision-making mechanism into a deadlock is getting lower. The number of the competences that the EP has is rising through the introduction of the cooperation, assent and codecision procedures alongside the enhancement of these procedures in favour of the Parliament as the codecision procedure allows the EP even to block the proposals of the Council. The Commission practically expands its extent of the rights and responsibilities to the extent that this act enables it to negotiate along with the other actors in the scope of cohesion policy.

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<sup>164</sup> Bernard, *Multi-level governance in the European Union*, p. 123.

<sup>165</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 16.

## **3.5. European Regional and Cohesion Policy at Stake**

### **3.5.1 Neoliberal Europe vs. Social Europe**

Although the states maintained their role that put markets on a leash, the rise of the free market ideology paralleled to the dissolution of the communist system and its command economy facilitated the decline of the Keynesian policies, strengthening the tendency to liberalise the markets and to loose the so-called leash in Europe eventually, which was entailed to diminish the influence of the regulations controlling the markets. The diminishing role of the states in terms of the organization and development of the markets intensified the debate on the substantial principle of solidarity of cohesion policy along with the requirement to regulate the markets, inducing to the challenging the rationale behind the regulation and the principle concerned, despite the fact that the political influence of the states all across the European Union maintained to dominate the contention regarding the general structure.<sup>166</sup>

Marks and Hooghe suggest that cohesion policy is exposed to the rivalry between the European, national and subnational actors, which is located in a broader rivalry between the supporters of neoliberal Europe and those of a regulated capitalism that is associated with social Europe.<sup>167</sup> Even though the concepts such as social market, social Europe, the European Social Model and regulated Capitalism are not interchangeable in general, they might coexist within the context of cohesion policy as the conceptual circle in which they operate is identical so that the alternative concepts might be utilised in order to identify the characteristics of the rivalry concerned. Social Europe and neoliberal Europe represent the leading perspectives on the ideal formation of Europe. The claim of the neoliberal perspective is based on the free-hand of the markets without the involvement of the political authorities while the regulated capitalism requires the

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<sup>166</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 105.

<sup>167</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 105.

protection of the principles of the partnership and solidarity along with the regulation of the markets. Ironically, the supporters of the neoliberal Europe are in favour of preserving the intactness of the national sovereignty as they remain reluctant to the advancement of the political integration to a large extent, while they do not raise any objections against the European economical integration. Cohesion policy eases the social tension in Europe through the principles of solidarity and partnership and lays the ground for the development of the market competition, increasing the competitiveness of the regions lagging behind.<sup>168</sup>

Hooghe and Marks defend that “The 1988 cohesion policy reform has been bedrock of the anti-neoliberal program. Though the immediate objective was to reduce territorial inequalities, its larger goal was to strengthen European regulated capitalism.”<sup>169</sup> Thanks to the reform, the ultimate purpose of achieving cohesion by alleviating the regional disparities has flourished to create a genuine policy which gained a concrete designation and organizational vision so that the regions that include those lagging behind and those which participate, if not at all, less in the policy-making, were empowered financially by the substantial rise of the funds available for them and socially by the promotion of the regional and local mobilization through partnership within the context of cohesion policy. The escalating involvement of the subnational actors in the different phases of cohesion policy at the expense of the national governments in accordance with the principle of partnership and the increasing funding that is provided to back the economically backward regions in accordance with the principle of solidarity contradict with the requirements of the programme suggested by the neoliberals.<sup>170</sup>

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<sup>168</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 106.

<sup>169</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 106.

<sup>170</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 106.

### **3.5.2 Principles of Concentration, Solidarity and Partnership at Stake**

The concentration of the cohesion funding on the regions and social segments which need to catch up with the rest of the regions and population of the EU in accordance with the principle of solidarity has been situated at the centre of the debate on cohesion policy continuously since the creation of it as paralleled to the gradual step-down of the concentration. This debate is accompanied by a tendency that contradict with the principle of solidarity to restructure the policy in a way that would contain the rearrangements in favour of all the regions of the EU rather than just the regions lagging behind as the disadvantaged aspects of the backward regions would no longer be taken into account that much in terms of the allocation of the limited resources. Therefore, if it makes any visible changes, threatening the stability, it is likely that this tendency might trigger the deterioration of those disadvantaged aspects as the regions concerned will be deprived of the support that they are accustomed to benefit from all of a sudden, unless full alternative measures are taken in order to prevent it and those alternative measures should be testified before they are put into practice, taking feedback regularly in order to avoid possible side-effects which might occur unexpectedly. However, one of the important resources to get information on the subnational units might run out if the regional representative offices are no longer promoted in Brussels in the absence of the satisfactory incentives.<sup>171</sup>

The backward regions benefited from the funding available for them by the increasing concentration of it as paralleled to the rising capability of the Commission by the subsequent reforms and to the decrease in the number of the objectives. However, the concentration as explained above along with the decrease in the total amount of the funding available for the territorial cohesion might have a variety of requirements and consequences including the necessity to utilise the limited resources for the limited number and scope of objectives in

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<sup>171</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 118

order to be effective sufficiently. Besides, the influence of cohesion policy on the political arenas might experience a significant decline as the wider dispersion of resources can reach people from all walks of life while the concentration requires the use of resources for some regions and segments of the society. Although Marks and Hooghe indicate that “Cohesion Policy was designed to deepen multi-level governance in regional economic policy, but this can only be accomplished if the policy reaches beyond the very poorest regions”<sup>172</sup>, there is insufficient evidence proving that the purpose of cohesion policy at the phase of designation was to establish a multi-level governance system as the pragmatic aim to achieve the efficiency and effectiveness was prevailing. However, it is evidently appropriate that cohesion policy should be penetrated into the all segments of society including the backward regions and unemployed and disadvantaged people in the Union in order to strengthen the multi-level governance system.

The principle of partnership has been challenged by the opponents of it who assumed that the principle blurs who is accountable for which sphere as there is a shared responsibility of the many partners. A potential ‘joint-decision trap’ which might drag the EU multi-level governance system towards a systemic deadlock at the policy-making, monitoring and implementation phases is also attributed to the principle concerned. Therefore, a clear-cut division of the competences instead of the overlapping jurisdictions and dispersion of authority across multiple access points in compliance to the multi-level governance has also been suggested as an alternative.<sup>173</sup> However, Marks and Hooghe defend that “An explicit division of labor would imply some renationalization of cohesion policy, for it would make it more difficult for the Commission to play a role within countries.”<sup>174</sup> So, the possibility of renationalization at the expense of the Commission might be necessary to avoid the joint-decision trap and to achieve accountability, whereas the loose-coupling and a well-adjusted use of the intrinsic elements of the governance such as the policy networks and cooperative and competitive

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<sup>172</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 108.

<sup>173</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 114.

<sup>174</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 108.



components to avoid or prevent joint-decision trap as suggested by Arthur Benz and Burkard Eberlein.<sup>175</sup>

Partnership has been exposed to the struggle between the supranational, national and subnational actors as Marks and Hooghe assume that “All in all, rather than mitigating the territorial conflict, partnership has incited rivalry between national and subnational levels, with the Commission often caught in the middle.”<sup>176</sup> So, the principle of partnership which is also an intrinsic element of the multi-level governance system is condemned by Marks and Hooghe who elaborated the term ‘multi-level governance’. Therefore, partnership might be associated with the confrontation.

Although the range of the partnership principle was enlarged by the 1999 reform, containing the new players, the influence of the Commission on the central states to promote the participation of the regional and local players as well as the public and private actors has been considerably decreased as paralleled to the decrease in the number of the incentives that the Commission possessed. Therefore, the goal to reach the efficiency and effectiveness might become more challenging in the absence of the Commission which previously acted “as an agent of institutional change,” requiring the other players to compensate for it.<sup>177</sup>

At this point, Marks and Hooghe state that “The changes introduced in the 1999 reform amend the original 1988 design of cohesion policy. The budget for cohesion policy will fall in relative terms, it will affect fewer regions, and its impact on governance in the EU will be constrained.” They question whether it will lead to a “major policy shift” which might mean the undermining and eradication of the fundamental principles of cohesion policy, while it is evident that the European Cohesion Policy cannot survive without the principles which are at the core of the policy.<sup>178</sup>

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<sup>175</sup> Benz and Eberlein, *Regions in European Governance: The Logic of Multi-Level Interaction*, p. 2.

<sup>176</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 115.

<sup>177</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 108.

<sup>178</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 109.

### **3.5.3 Friends and Enemies of Cohesion Policy in the Political Arena**

The rivalry between the perspectives of neoliberalism and regulated capitalism has many fronts that include the political competition at the European and national levels. Social democrat parties are usually in favour of the regulated capitalism while some of the Christian democratic parties agree with them at this point. Jacques Delors, the president of the European Commission who has been considered to be the creator of the 1988 reform and cohesion policy as such also defends the regulated capitalism. A considerable number of the officials in the Commission and the EP as well as the regional, local, public, private and social actors which are encouraged to participate within the context of cohesion policy are generally in favour of regulated capitalism, too. However, Hooghe and Marks state that “Over time, policy inefficiencies and divergent interests among coalition partners have begun to dissolve the glue holding together the coalition together,” while they assume that the Commission is also supposed to support the regulated capitalism and cohesion policy. They suggest that “If the Commission is divided on European regulated capitalism and on EU cohesion policy, it should come as no surprise that conflict on these issues runs deep in the European Parliament and among political parties and national governments.” Therefore, the debate on the reform of cohesion policy is supposed to be implicated with the political configuration in the Parliament and Commission as well as the involvement of the actors concerned overtly or covertly.<sup>179</sup>

The neoliberals along with the other opponents of the regulated capitalism and cohesion policy occasionally endeavour to limit the expenditure of cohesion policy as the insistence on the claim that budget deficits in the member states should be restricted was reinforced during the establishment of the EMU and the preparation period preceding it. “A territorial division is superimposed on this ideological conflict, pitting net recipients against the net donors” according to

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<sup>179</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, pp. 111-112.

Marks and Hooghe.<sup>180</sup> The dominance of the division between the northern and southern countries was replaced by the western and eastern countries in terms of the partially unique attitude of them towards cohesion policy after the accession of ten Central and Eastern European countries to the EU in 2005. However, these territorial divisions are far from being unique in fact as shown by the existence of a number of regional and local actors that defend cohesion policy in the north and west.<sup>181</sup>

### **3.5.4 Rise of Employment Policy and Fall of Cohesion Policy**

The employment policy might be able to replace the predominance of cohesion policy as paralleled to the rising significance of the growing unemployment in the eyes of the many people from all walks of life in the EU in comparison to the contested and degraded cohesion policy. The employment policy might be more promising in spite of the relatively modest goals of it in comparison to the very long-standing extensive objectives of cohesion policy. Therefore, it can attract the support of a wider social spectrum without the north/south and west/east cleavages as the unemployment and the struggle against the expansion of it is common to all as “A revamped anti-neoliberal coalition is trying to capture the European agenda with a new flagship: the employment initiative” according to Hooghe and Marks.<sup>182</sup>

The stress on the jobs, employment and growth along with the innovation and education<sup>183</sup> in the context of the Lisbon Strategy which led to ‘the momentum for a paradigm shift in Cohesion Policy’<sup>184</sup> alongside the 2006 reform shows that Marks and Hooghe’s prediction on the rise of the European Employment Policy and the fall of the European Cohesion Policy is proven, even though the issues that the employment policy usually deals with is incorporated into cohesion policy.

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<sup>180</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, p. 112.

<sup>181</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, pp. 112-113.

<sup>182</sup> Hooghe and Marks, *Multi-Level Governance and European Integration*, pp. 115-116.

<sup>183</sup> “Focus on Growth and Jobs,” p. 22.

<sup>184</sup> “Making Enlargement a Success,” p. 18.

## 4. Conclusion

The essential principles of cohesion policy date back to the advent of the European Community which embarked on the initial steps towards the integration so that the principles concerned are arguably intrinsic to the EU. In addition, cohesion policy is complementary to and in accordance with the single market and EMU, although there is arguably an undeniable and unavoidable tension as well as interdependency between them.

In fact, the 1988 reform is revolutionary as to the empowerment of the supranational and subnational actors at the expense of the national governments in accordance with the creation and consolidation of the fundamental principles of cohesion policy so that it represents one step forward in comparison to the preceding period and subsequent reforms. However it is followed by a considerable downturn in terms of the content and impact of the succeeding reforms as the Commission and regional and local actors had to surrender a noticeable portion of the powers which they previously acquired, in line with the renationalization/recentralization enjoyed by the national governments particularly. This illustration of the redistribution of the powers by the reforms concerned suggests a rivalry between the supranational, national and subnational actors apart from the cooperation within the scope of the multi-level interaction.

The success and failure of cohesion policy is measured by the achievement of the regional and local actors to ensure the development and participation, which is very diverse and uneven, depending on the factors such as the existence of north/south, west/east and core/periphery cleavages. While the scholars do not agree on the evaluation of the success and failure of cohesion policy, they point out to the different aspects which strengthen their claims, providing a complementary overview of the weak and strong points. Additionally, there is no sufficient evidence proving that the regions would be able to cope with the challenges imposed by single market and single currency without the support of

cohesion policy. The rapidly rising disparities suggest that the need to narrow them is also rising.

Although the principle of concentration is strengthened by the subsequent reforms, the elements that pertain to employment policy are incorporated into the agenda of cohesion policy and might become the priorities at the expense of the participation of the subnational actors in the multi-level governance system through the implementation of the essential principles of cohesion policy. While the empowerment of concentration is not in favour of partnership, the claim ‘regional policy is for all, not just for poor’ can arguably undermine solidarity and concentration.

The subnational actors and social partners are deprived of sufficient legal obligations to participate, while the national actors are not obliged to ensure their participation by the EU law. Therefore the provision of efficiency and effectiveness, empowerment of the multi-level governance system and exclusion of democratic deficit require the existence of legal obligations which will be imposed on the actors at all levels of the EU by the EU law. The creation of the legal obligations to ensure participation should be in the agenda of the prospective reforms of cohesion policy. Otherwise, partnership will continue to suffer from an inefficient and incompetent implementation in spite of the noticeable advancement in some of the regions.

Even though the disparities between the regions rise considerably after the subsequent enlargements of the EU and the emergence of the new challenges, the decline of cohesion policy continues as paralleled to the withdrawal of the supranational and subnational actors forced by the national governments and the rise of employment policy. However, the principle of solidarity is still legitimate and functional because the existence of the disparities all across the Union accounts for the creation of cohesion policy as such and the need to compensate the costs of single market still exists and grows. Therefore, the fundamental principles which are the indispensable components of cohesion policy must be

preserved and consolidated because there is no genuine cohesion policy without them obviously.

The prospective reforms might follow the trend of the previous reforms and the national governments might be able to claim their predominance over the subnational and supranational actors by the elimination of the 1988 reform's tremendous contribution to the development of cohesion policy. A paradigm shift in setting goals, agenda and priorities of cohesion policy along with a major policy shift in terms of the implementation and monitoring stages might strengthen and undermine different aspects of the policy simultaneously, though the main direction of it is supposed to be in accordance with the *raison d'être* of it. Otherwise, it is highly likely that the multi-level governance system cannot survive without a genuine cohesion policy.

The fundamental principles of cohesion policy are in danger and under attack as they are exposed to the criticisms and continuous efforts of the neoliberals, national governments and intergovernmentalism to weaken it in addition to the implementation problems and confrontation between the principles. While cohesion policy suffers from the risk that a major policy shift might undermine and eradicate it, the intertwined structure of the multi-level governance system and cohesion policy provides sufficient evidence that multi-level governance is also in danger and under attack by the neoliberals and national governments. The decline of social Europe might be followed by the demise of multi-level governance and cohesion policy which is an intrinsic element of the European integration. Besides, the lack of solidarity, partnership, additionality and concentration might weaken the Union and lead to the failure of it by raising the disparities between the components of it. Finally, while the achievement of common market and EMU is strongly linked to the efforts of the neoliberals, the neoliberal and social models of Europe are complementary and their coexistence is vital for the survival and empowerment of the Union in accordance with the coexistence of single market, single currency and cohesion policy.

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