

---

## NOTES ET DOCUMENTS

---

# THE IMPACT OF THE EUROPEAN STRUCTURAL POLICIES ON THE EU MEMBER STATES FROM 1988 TO 2000

**Stavros RODOKANAKIS**

Department of Geography and Environment, London School of Economics, UK

***Abstract** - In this paper we try to investigate the effect of the Structural Funds on regional development and the economic and social disparities within the EU. The year 1988, with the first main reform of the Structural Funds, is taken as the starting point of our research that covers the past thirteen years. Despite the fact that the assessment of the EU structural intervention is a very difficult and complex task, we conclude that the impact of the Structural Funds in terms of growth and efficiency is still limited.*

**Key-words** - EUROPEAN UNION, EUROPEAN INTEGRATION, STRUCTURAL POLICIES.

**JEL Classification:** O10, R10.

## 1. INTRODUCTION

All countries in Western Europe have initiated regional policy in the course of the past decades. According to the gravity of their regional problems and the socio-economic views held, western governments have started implementing regional policies sooner or later and more or less intensively.

While the EC, since its creation by the Treaty of Rome (1957), has recognized the need for national regional policies, a proper EC regional policy was not brought into existence until the mid-1970s with the creation of the European Regional Development Fund (ERDF).

In 1986, the Single European Act (SEA) set new objectives for the Community. The aims were the realization of the internal market by the end of 1992, but also the strengthening of economic and social cohesion. The great importance that was given to the reduction of economic and social disparities in the Community was justified both by their level in absolute terms, and by their unsatisfactory evolution over time.

Disparities, which affect cohesion, should be assessed by reference not just to levels of indicators, but also to their rate of change. Declining areas could also be marginalized, although the solution to their problems does not necessarily require the same type of intervention as in the less developed regions.

## **2. THEORIES FOR CONVERGENCE AND DIVERGENCE**

According to classic growth theory, convergence should result from regional integration. The neo-classical form of growth theory suggests that rich and poor regions will converge. It is the decreasing returns to scale to capital which brings about convergence: a higher marginal product and return to capital is to be expected from countries and regions with low capital stocks and per capita income. As a result of this there should be more capital accumulation and quicker growth in poor regions than in rich ones (Barro and Sala-i-Martin, 1995).

There has been a renewal of interest in the causes of economic convergence since 1985 (Sala-i-Martin, 1996). One reason for this is a revival of interest in the general subject of economic growth. The convergence hypothesis, which differentiates between the two main current approaches to economic growth – namely, the models of endogenous growth and the neoclassical model –, has been instrumental in bringing about this revival. Romer (1986) and Rebelo (1991) argued that the lack of convergence across economies worldwide suggests that their theories of endogenous growth are superior to the neoclassical model.

The economists' hopeful forecast has been altered by two important trends in the literature of late: in contrast to the neoclassical paradigm, the "new growth theory" does not envisage the only conceivable result as being income convergence between rich and poor regions. It would appear from the "new geography" that regional integration might cause more inequality between regions. It is interesting that the possibility of income divergence, despite the fact that it is not necessary, in these models points to a significant change of approach of economic theory on these matters. In a way, the picture, these days, is similar to that found in the uneven development literature (Myrdal, 1957; Kaldor, 1970) of the 1960s, which was later followed by the neoclassical growth model.

Endogenous growth and "new geography" models question the hopeful outlook of the neoclassical model, as far as convergence is concerned. For example, as the Lucas (1988) story shows, if long term growth is encouraged by

the endogenous accumulation of practical experience without decreasing returns over a length of time, trade between regions can mean that one region specializes in industries with a particular advantage (e.g. traditional economic activities), but which offers few opportunities for learning, so that the region might have a lower growth rate, due to trade integration.

A "core-periphery" structure might appear with trade integration according to the "new geography" literature headed by Krugman (1991a and 1991b). It is suggested that a result of the reduction in transaction costs could be the spatial concentration of increasing returns to scale industries in the center of Europe, whilst the periphery would concentrate on contrast returns to scale industries (such as, low technology industries and agriculture).

Faini (1984) demonstrated that the existence of increasing returns in the production of non-traded intermediate inputs leads to a growing divergence of growth rates between regions in an earlier paper, which contained elements of both the new geography and the new growth models.

A model such as that of Martin and Ottaviano (1996) which determines growth and geography together and integrates a new growth framework to a new geography model allows an exchange between average growth and regional convergence to appear.

A more efficient, but also less equal economic geography which makes possible a pattern of high aggregate growth, can thus go hand in hand with increased regional income inequality.

The welfare loss of specialization in the constant return to scale industries is not obvious and neither is the reason it leads to real income divergence. The decrease in real income and the welfare loss for the poorer region, in the new geography models, result from the poorer region having to pay transaction costs on the manufacturing sector goods produced in the wealthy region.

### **3. THE EC STRUCTURAL FUNDS AND THE COHESION FUND**

The European Social Fund (ESF), the European Agriculture Guidance and Guarantee Fund (EAGGF) with separate guarantee and guidance sections, and the European Regional Development Fund (ERDF) are the three main Funds of the EC. EAGGF (Guidance), established in 1964, and the other two Funds, established in 1958 and 1975 respectively, are commonly grouped together as the 'Structural Funds' and their target is the economic and social cohesion of the member states. The EC Structural Funds have been reformed in 1988 (see table n° 1), 1993 and 1999.

The FIG (Financial Instrument for Fisheries Guidance), which will assist in the restructuring of the fisheries sector, was added to the three traditional Structural Funds (ERDF, ESF, Guidance), in 1993 (Shackleton, 1993).

The Cohesion Fund (1993), which is a macroeconomic adjustment Fund, provides financial contribution to projects in the fields of environment and trans-European networks in the area of transport infrastructure, in countries with a per capita GDP less than 90 % of the EU average (CEC, 1997a).

In addition to the above Funds, a variety of other EC instruments are also deliberately used to assist problem regions, notably the European Investment Bank (EIB-1958) and the European Coal and Steel Community (ECSC-1952), as well as the New Community Instrument (NCI-1979). All the above Funds have also provided financial resources to the Integrated Mediterranean Programmes (IMPs), when the latter were launched in 1986 in order to protect the then three (Greece, Italy and France) EC Mediterranean countries from the Iberian enlargement.

#### **4. EVIDENCE OF CONVERGENCE AND DIVERGENCE**

##### **4.1. Evidence of Convergence and Divergence in Europe**

Geography can be seen to be of great importance, when we consider that the three countries with the lowest GDP per capita are at the periphery (in terms of geographical position) of Europe. These countries are Portugal, Spain and Greece, whereas the Southern part of Italy can also be included (Ireland as well was among the four poorest EU states until the mid-1990s). Krugman and Venables (1990) pointed to a strong negative correlation between regional GDP per capita and an index of distance from purchasing power. What is significant, particularly for policy makers, is how this situation changes over time. This depends on the chosen spatial unit and on the time horizon.

Sala-i-Martin (1996) examined the statistical evidence on regional convergence and added to it. He claimed that both  $\sigma$  and  $\beta$  convergence appear to take place in a mixture of data sets. The rates at which the regions of different countries converge over varying time periods are quite similar: about two per cent per year. This is important, but if we consider its relevance in economic terms, it is quite a slow speed. It suggests, for example, that one quarter of the original income differences will remain after a long period of 70 years.

Sala-i-Martin (1996) claims that government transfers have little effect. National governments use regional policies to quite different degrees (e.g. in Europe and in the US) and therefore the similar convergence rates must be explained by more basic economic mechanisms than public policies. However, the speed of convergence varies greatly between countries, regions and periods even over long periods. Martin P. (1998) claims that in the US, between 1880 and 1990, the speed of convergence was 1.7 %. For European regions the rate was 1.5 % between 1950 and 1990. In European countries, on the other hand, the speed has varied greatly: 1.6 % for French regions, 3 % for British regions, 1.4 % for German regions, 2.3 % for Spanish regions and 1 % for Italian regions.

Interestingly, the convergence rate drops to 1.3 % for European regions during the 1978-1992 period and there was no convergence between regions within countries during this time. Therefore, when explaining varying convergence rates, differences in public policies cannot be dismissed out of hand.

The body of evidence under discussion in that paper (Sala-i-Martin, 1996) is unable to separate the neoclassical hypothesis of diminishing returns to capital from the hypothesis of positive (but slow) rates of technological diffusion. It is necessary to conduct further research so, as to discover which one of the two hypotheses is more probably going to dominate the process of regional economic cohesion.

If we look closely at more recent trends, a different picture emerges. For example, Neven and Gouyette (1995) find that a process of divergence between North and South appeared in the 1980s. Furthermore, it is possible that convergence between countries hides a process of regional divergence within countries. It is argued by De la Fuente and Vives (1996), based on work by Esteban (1994), that roughly half of the income inequality across EU regions is related to variations inside each country. Moreover, the income differentials decreased across countries, but not across regions inside countries during the 1980s (Martin P., 1998). Quah (1997a) argued the same thing.

De la Fuente and Vives (1995) provide a more positive picture of regional policies. They use data on Spanish regions to argue that the total contribution of public funds to income convergence has been minute, making up a mere 1 % of the reduction in inequality noted during the 1980s. They conclude, though, that supply side regional policies, including infrastructure investment can be viable. These writers believe that the impact of transfers is positive and that the somewhat small impact on regional variations is due to the small size of effort made at redistribution (Martin P., 1998).

The theoretical model's results, with endogenous growth and agglomeration forces, are not contradicted by these results, as a trade-off between the aggregate growth of the country and regional convergence within the country is suggested.

There is no clear answer to the question of what mechanisms might explain convergence between countries and not convergence between regions within a country, since it suggests that the neoclassical growth model is applicable to countries, whereas the endogenous growth/new geography models are applicable to regions. What reasons might there be to think that economic mechanisms that generate increasing returns and lead to divergence are much more in evidence at the local than at the national level? One explanation could be migration. Certainly, migration across regions within a country is more significant than across countries in Europe.

We may not be able to say whether regional policies have encouraged the convergence process, but we can say that they can do so, considering the effect public infrastructure has had before.

Martin P. (1998) starts with the basic growth regression of Barro and Sala-i-Martin (1991) for the period between 1978 and 1992 which relates the growth rate of per capita GDP to initial GDP per capita and asks whether faster convergence and more regional growth result from the inclusion of infrastructure endowments.

From his results it could be inferred that the richest regions of the poor countries are helped to converge by infrastructures much more than the poorest regions are. The same can be seen, when we look at convergence between regions within each of the large EU countries: Spain, Italy, France, Germany and the UK.

This complies with the picture of a geography model with public infrastructure. Convergence between regions may not be encouraged by improving public infrastructure in a country, despite the boost to inter-regional trade and the country's overall attractiveness, since it might help only the richest regions of the country.

Furthermore, considering the very large investment suggested by such a policy, the return in terms of growth gains appears small. Whether we look at convergence between regions or between countries the size of gain varies greatly. These findings on the quantitative effect of infrastructure on regional convergence do not comply with the conclusion of De la Fuente and Vives (1995), who claim that the small impact of regional policies on regional variations is a result of the small size of the redistribution effort.

The whole picture does not look very hopeful for regional policies in Europe. If the desired effect of these policies is convergence among regions in a country, as opposed to convergence between European countries, then the outlook is even bleaker. However, these findings do not mean that policies, which finance public infrastructure, are unable to help convergence or increase growth. Indeed, there is some indication that they can at the country level.

It is clear that more theoretical and empirical work is needed to comprehend the mechanisms of convergence and divergence at different spatial levels.

#### **4.2. Evidence of Convergence and Divergence in the Cohesion Countries**

Between 1980 and 1989, there is a large difference in income and growth performance across the NUTS-3 (see appendix) locations in the Cohesion countries, according to Quah (1997a). This diversity is to be found both across

the countries and within them. Furthermore, in geographically localized regions the range of variation can be either large or small.

Change and stability can both be noted: some initially rich NUTS-3s became poor and some initially poor ones became rich. Simultaneously, some originally rich NUTS-3s stayed rich and some originally poor ones stayed poor.

Therefore, it can be said that across the Cohesion NUTS-3s, there has been an increase in inequality, but that increase is mainly a result of the rich removing themselves from the poor, whilst the poor have remained in very much the same position.

It can be clearly seen that Portugal, in aggregate, has grown the quickest, with Spain not far behind and Greece has in aggregate grown slowest. The same ranking is to be found in each nation with trends away from cohesion. Spain was not prevented from sustaining cohesion across its NUTS-3s by its aggregate growth performance, which was almost on a par with Portugal's. Greece encouraged cohesion more successfully than Spain, despite growing slowly in aggregate. Greece reveals dynamic tendencies towards cohesion and can be expected to do better in future.

He reaches the conclusion that the highest cohesion among NUTS-3s has been in Greece, the lowest in Portugal and intermediate in Spain. Across a variety of methods of assessing cohesion this characterization is valid, and for both static and dynamic considerations.

Quah's (1997a) results show that the cross-section of countries in the world tend towards polarization – a grouping of the rich moving away from a grouping of the poor– or, sometimes twin peaks appear. Despite the fact that this polarization is not apparent in the Cohesion economies, the rich and the poor have been spreading out much more quickly and noticeably across Cohesion NUTS-3s in comparison with countries across the world or NUTS-2s across Europe in general.

Quah's (1997b) study has demonstrated the importance of recognizing the similarities and the differences, the possibilities and the pitfalls, of using locally isolated Cohesion policies across EU member states and Cohesion economies. Member states differ in the dynamic tendencies for regional inequalities already embedded in existing economic structures. Decisions on where to focus subsequent policy actions need to be informed by putting together knowledge on such dynamic tendencies with clear understanding on what policy goals are most immediate. For instance, going for overall aggregate growth in some specific Cohesion economies could do a lot to improve convergence prospects; in others, the opposite may result. Thus, this paper argues and demonstrates the importance of careful, case-by-case analysis for analyzing the effects of locally isolated actions in the Cohesion economies.

### **4.3. Conclusion**

According to Martin P. (1998), what is needed is a conceptual framework so that trade, growth and location impacts of regional policies can be comprehensible. For the time being, the infrastructure in poor regions is funded by enormous sums based on the belief that any transfer whatsoever must be good for the poor region at the receiving end and therefore for the country. The instruments of the new economic geography and of new growth theory point to their effect being complicated, due to self-reinforcing agglomeration effects and they might also have unexpected effects at the local level. A natural conceptual framework to use to analyze the impact of regional policies, and to recognize potential important trade-offs between regional equity and aggregate efficiency, is supplied by the new growth theory and the new geography. If such a trade-off exists, it naturally stresses the political-economy aspect of regional policies in Europe and should be researched by economists.

### **5. THE NORTH-SOUTH AND THE CENTRE-PERIPHERY DIVERGENCE IN THE EU**

In the EC, regional changes are usually slower than those apparent in the US (Neven and Gouyette, 1995).

GDP measures can be of use for the growing differences between northwestern and southern regions, in spite of the fact that these measures are not totally reliable (particularly in Southern Europe, where a growing role is played by the informal economy, mostly during times of economic crisis).

A short period of convergence which continued until the mid-1970s was followed by noticeably increased inequalities among member states and regions and in the early 1990s went back to the levels of the beginning of the 1970s (CEC, 1991).

The Commission itself states in the First Report on Economic and Social Cohesion, that there was a reverse in economic and social cohesion inside most member states in the 1990s (CEC, 1996: 49).

Moreover, Graham and Hart (1999), noted that the main core-periphery spatial structures which characterized the EU in the 1990s are very similar to those recognized more than 25 years ago at the time of the first enlargement in 1973, in spite of a more complex map of regional inequality.

For the period 1975-90, Neven and Gouyette (1995) examine convergence in output per head across regions in the EC. Big differences can be seen in the pattern of convergence across sub-periods and across subsets of regions. In the early 1980s the South of Europe appears to be doing well, but remains stationary, or worse, in the second half of the eighties. At the other end of

Europe, in the North, the regions have a tendency to remain stationary or diverge at the beginning of the eighties, but converge strongly afterwards.

Neven and Gouyette (1995) say the indications are that the difference between the north and the south of the EC is probably more significant when analyzing growth patterns than the difference between the center and the periphery. A first look at the studies on migration suggest that the population of the southern regions reacts much more slowly to wage and unemployment differences. Perhaps this is one reason why southern regions have not converged after 1985.

It can be said that the north and south of Europe have been exposed to different shocks in the mid-eighties and that as a result of a negative shock the southern regions have moved off the transition path. Trade liberalization (see SEM) might result in uneven patterns across regions, where strong scale and agglomeration economies are present. Neven's and Gouyette's paper contains evidence that these scale and agglomeration economies might be of importance. The evidence also supports the forecast made by Krugman and Venables (1990), for example, that trade liberalization across Europe might damage southern regions. These results should be approached tentatively, because of the short time period in question here.

There is controversy surrounding the statistical assessment of convergence. Mostly what is called into question is the level of convergence, i.e. between regions or between countries. In both instances, the stricter analyses of convergence have centered on economic phenomena, ignoring social and quality of life phenomena (Giannias et al., 1999).

The main problem is that, over the last thirty years, the process of regional economic development has shown the existence of both divergence and convergence trends at regional level (Molle and Boeckhout, 1995). As a result, some refer to consecutive periods of divergence and convergence (see, for example, Barro and Sala-i-Martin, 1991).

On the other hand, others have chosen to explain the tendencies with the use of a framework which recognizes the likelihood of simultaneous processes of convergence and divergence in different regions (comparatively) over similar time periods (Boltho and Holtham, 1992; Dunford, 1993; Dunford and Hudson, 1996).

The periphery of Europe now includes large parts of Western France, England, Northern and Eastern Germany, and Denmark, as opposed to the old definition of the Mediterranean countries and Ireland. Moreover, within each of the member states spatial polarization can be seen. This means that high level, high-status jobs are centered in metropolitan areas (e.g. Barcelona, Paris and

Dublin) around Europe's "core", whilst peripheral areas manage with only low-level jobs (Graham and Hart, 1999).

It is noteworthy that not only are strong regional economies growing stronger and weaker ones growing weaker, but that "new" growth regions are appearing which make the spatial structure even more complicated. Examples of this are Friuli Venezia-Giulia and Lazio in Italy. On the whole, then, in general one may conclude that convergence at the broad EU level has been going on, perhaps slowly, whilst, at the same time, at regional level wide variations in economic and social well-being are still in existence (Armstrong, 1995).

It is very hard to analyze the progress towards greater social and economic cohesion within the EU, especially in view of the fact that the process of integration creates tensions of political economy. As MacKay, 1995, p. 230, states: "There is a danger that any single group, including economists, will redefine the problems in such a way that the debate does not address the questions that trouble those intimately involved".

However, one should not forget that the assessment of EU regional policy has only been considered significant recently. Therefore, the 1994-99 period is likely to be the first programming cycle to come in for a complete evaluation (Bachtler and Michie, 1997).

## **6. CRITICAL ASSESSMENT OF THE EU STRUCTURAL POLICIES**

### **6.1. The Structural Funds and the Cohesion Fund**

Structural Funds' philosophy was always to develop guidelines and they are not connected with the whole EC social policy. Today, in comparison with the past, it is more difficult to receive financial aid from the ESF; involved agencies must define very clearly what exactly they want and be clearly within the six (now three) Objectives. There is a clientele oriented to the ESF allocations, namely more specific categories of people (targeting groups) are included at the expense of other categories; so, the Fund becomes less flexible. The latter is also attributable to the concentration of its geographical expansion.

Regarding the impact of the training programs on the labor market, it is highly questionable if they help match the supply to the demand for labor, given the persistence of high unemployment rates among the EU member states and regions, even during periods of rapid economic growth.

The ERDF has never been sufficient to make a substantial contribution to redressing EC regional imbalances, due to its budgetary inadequacy. The Structural Funds represent a small proportion of the overall EC budget. The impact of the EC's regional funding is considerably less than that of the regional funding of many member states themselves, although there is a modest increase

at EC level. It is noteworthy that in the mid-1990s the size of Structural Funds was equal to 0.12 % of rich EU countries GDP (Mitsos, 1994), whereas the Marshall aid (1948-51) for the reconstruction of Europe after World War II was 1 % of the US GDP per year (Martin, 1998).

On the other hand the existing status of the ERDF, as well as of the Structural Funds as a whole, is unfair, because the contributions (Ardy, 1988; CEC, 1993a) and the funding (Bachtler and Michie, 1999) of the member states are not proportional to their GDP per capita. Moreover, the Community also lacks any accurate means of assessing the national incidence of such costs and benefits.

Another criticism of the ERDF, which also has to do with the Structural Funds as a whole, is the limited financial aid of the latter to the Objective 2 in all three reforms. Many people criticize the threshold of 75 %, because certain regions (like South Yorkshire and South Wales in Britain [Eurostat, 2000]) marginally above this threshold are also excluded, although they need financial aid.

The present function of the Structural Funds has received many criticisms also because all countries contribute to their budget, whereas it would be fairer according to the supporters of this view to transfer money only from the rich, e.g. German, regions to the Portuguese, Spanish or Greek regions.

Criticisms against the rules of the first and second reforms of Structural Funds also stress the fact that the member states decide which investments will be financed by the EU, without proper Community control and this leads to the increase of consumption instead of investment, corruption, etc. A big problem is the location of responsibility for the various development projects. It is not clear if the responsible body is the Commission or the national government.

Horizontal and vertical co-ordination was difficult to meet both technically and politically. Horizontal co-ordination implies that the regional policy would cease to be mainly the concern of a Directorate-General (DG), and become the resultant of common policies. Vertical co-ordination means better cooperation between the Commission departments, governments and the tiers of local government (Lander, regions, local authorities). Each DG in Brussels tends to represent particular lobbies and there is a fragmentation between DGs. For instance, DG VI promotes agricultural interests. In all Structural Funds, the EC policy process was more or less embryonic and in none was there a clear framework of common goals and values. There were filters which continuously separated Community and national officials (Mitsos, 1994).

In centralized states, like Greece and Portugal, the central governments discuss the eligible projects for finance directly with the EU officials cutting out

the regional authorities and the local experts. This leads to mediocre quality projects and waste of money allocations and deadlines not being met.

Allocations are subject to frequent adjustments to the cash ceilings at the beginning of the financial year, a factor inimical to their use (as the Commission intends) in order to influence long-term economic developments. One consequence is that EU expenditure tends perforce to sustain the previously established policies of individual member states, because of the pressure to utilize payment appropriations within the current financial year.

Receipts go directly to the governments and the clients of the Funds (with the exception of ESF allocations for non-governmental bodies and part of the ERDF infrastructure program) do not actually receive Community cash in hand or engage directly in the policy process. There is no satisfactory way of evaluating a Community component as distinct from the national component, since the former is dependent on the latter (Plaskovitis, 1994). Nor can any sensible appraisal be made of the delivery of the Community policies, their cost-effectiveness or their impact on economic development, though some questions have been raised by the Court of Auditors (1981) in several cases, as well as by the DG for Economic and Financial Affairs (CEC, 5654/92, annex).

With respect to methodological approach, the experience of the 1988-93 programming period and the 1993-94 planning period is that the quality and sophistication of evaluation studies have varied greatly, and comparability between CSFs and Operational Programs is highly problematic. This also reflects major conceptual and methodological problems such as insufficiently precise objectives, inadequate data and difficulties in identifying causality and the counterfactual. Structural Fund operations are evaluated at a variety of levels—project evaluation, program evaluation, CSF evaluation—which require different approaches and are difficult to reconcile (Bachtler and Michie, 1995). However, since 1992 there has been a significant upgrading of the importance accorded to the evaluation of EU structural and cohesion policies (Bachtler and Michie, 1997).

In order to maintain control over the course of future development, the Community not only needs to refine its instruments of control and oversight in the allocation and use of Structural Funds, but it must also improve its ability to follow the development at the regional level by rationalizing and improving its collection of regional-level data.

The data collection units of the REGIO database are not defined by cultural or even economic criteria, nor is there any apparent cognizance of questions concerning who constructs regions, how and for what reasons (Graham and Hart, 1999). The basis for the designation of areas varies between the Objectives and frequently fails to correspond to national regional policy boundaries or local government units (Lewis, 1995).

There is the additional complication that whatever eligibility criteria are finally chosen, the statistics that are used must be robust and reliable. In at least one critically important instance this seems unlikely. During the CSF-2, the UK was the largest recipient of Objective 2 funding and as such its overall financial 'take' from the Structural Funds is more dependent on unemployment data than any other member state (Fothergill, 1997).

The Commission uses the 'ILO definition' derived from the European Labor Force Survey (LFS). In fact, although the LFS asks internationally standardized questions, it does not get internationally standardized answers. The responses are profoundly biased by the detailed operation of the social security system in each country (Fothergill, 1997).

In late 1980s an increase in the number of national experts (not EU officials) took place in Brussels in order to promote the issues of scientific analysis of the projects and to co-ordinate better the agencies involved in the complex procedures of the Community's functions. However, the results are not satisfying, because these national experts are influenced more by their own country's interests than by the Commissioners (Mitsos, 1994).

Regarding the IMPs (the execution of all of them has finished in 1994) transparency appears in principle to be satisfied (Yannopoulos, 1989). But again in practice there are difficulties in establishing how far a particular form of spending will exclusively be channelled to the pursuit of the specific objectives of the IMPs (Plaskovitis, 1994).

Present budgetary difficulties present a dilemma to the Community; countries are unwilling to concede further budgetary powers or to reform existing policies because of entrenched interests and the unfairness of the present system; yet without further revenue these problems cannot be solved. The accession in 1995 of the three ex-EFTA states (Finland, Sweden and Austria) led to lower levels of pressure on the EU budget, since the above three member states have a higher output per head than the EU mean (Eurostat).

The Single European Act is exclusively referring to economic topics and competition issues in general, whereas it contains little explicit reference to the social and spatial implications of the Single Market. The Maastricht Treaty (1993) itself pays little attention to non-economic, non-competition issues in general and to urban and regional issues in particular. Guided by competitive global challenges, EU policies are designed for big industry, banks and large agro-producers, leaving SMEs and other small-scale productive activities to the Structural Funds (Hadjimichalis, 1994).

While total EU regional policy expenditures were highest in peripheral areas, EU expenditures in support of the productive sector were much more evenly spread across peripheral and lagging regions of the EU. National regional

incentives contributed further to an equalization of support levels across large parts of the Union. European and national productive sector support thus work at cross-purposes and are unlikely to contribute to regional convergence (Martin R., 1998).

The reason the Structural Funds and the Cohesion Fund exist is to achieve economic and social cohesion between member states, helping to improve productivity, generate self-sustaining growth in the assisted areas and create durable job opportunities with equality of access for all social groups. However, there are several factors, which prevent this process of cohesion:

1) The harmonization elements of the Maastricht Treaty are not satisfactory, because they do not take into account the cohesion dimension. It is worthy to note that these convergence criteria of the European economies contained no reference at all to the convergence of their unemployment rates. Until the mid-1990s, there was little harmonization between member states' policies, also because the poor regions of the Community did not fight for cohesion, because they feared the side effects in their countries.

2) The change of emphasis in the CAP from price support to income support (due to GATT, now WTO, and negotiations for the liberalization of world trade) makes the cohesion question even more problematic at Community level. However, it is a matter of debate to what extent this policy's change will be in favor of the small producers and lagging EU agrarian areas (Hall, 1997).

3) About 55 % of the EU budget came from VAT before the Delors II reforms in 1993 (CEC, 1993a:412). The VAT share has been reduced gradually (36 % in 2001) and the GNP per capita –4<sup>th</sup> related resource– is now by far the dominant source of revenue. The higher the consumption in each member state the higher the VAT and thus the higher the share of its income contribution to the EU budget. Since the poorest EU countries consume a lot, they contributed proportionally more money to the Community budget than the rich ones concerning their given limited share in the budget (and of course not to the budget as a whole). Also, the Southern European states have a higher rate of informal economy as a proportion of their official GDP among twenty-one OECD countries: Greece 28.7 %, Italy 27.1 %, Spain and Portugal 22.7 % (University of Linz, 2001); this means that in the Cohesion economies there is a significant loss of VAT revenue, which makes the convergence process even more complex.

4) The achievement of cohesion is also not easy, because in absolute numbers the public contribution in some rich (e.g. German) regions is much higher than the public intervention in poorer countries, since for example 15 % of a national financing of a project cost is not the same burden for a rich and for a less affluent

country. The rich member states can finance EU projects, whereas the less prosperous countries cannot do it easily.

5) Germany offers financial aid to the less well-off Community countries or regions imposing on them to the advantage of her competition policy. The check-approach is even stronger with the Cohesion Fund than under the rules of Structural Funds (Mitsos, 1994). Namely, the political coalitions at EU level to a large extent have also to do with the level of support of the richer to the poorer member states (e.g. between Germany and Spain, concerning the then political negotiations between Helmut Kohl and Felipe Gonzalez about the Spanish share of the new Fund).

There are several doubts, if the model of regional development which has come to dominate EC regional policy, namely the potential for 'growth from below' (a Europe of many self-regenerating regional economies), is able to give substantial solutions to the Community as a whole. Regarding the indigenous (small firm based) growth for the vast majority of less affluent regions, research has shown that the build-up of a critical mass of new small firms in regions in which such an entrepreneurial tradition is weak is a very costly and time-consuming exercise, offering only limited short- to medium-term rewards (Storey, 1982; Storey and Johnson, 1987). Furthermore, the internal market is much more likely to work to the advantage of more efficient firms in the advanced regions, as well as reduce the build-up of new entrepreneurship in the least favored regions (Begg, 1989a and 1989b; Williams et al., 1991).

Moreover, it has been argued that the excessive concentration placed on competitiveness, in a world of increasing globalization, is leading to increased socioeconomic inequalities and unacceptable levels of unaccountable power in multinational corporations (Hadjimichalis, 1994; Krugman, 1996a and 1996b).

The Commission's White Paper on growth, competitiveness and employment (CEC, 1993c), among other issues, stressed the need to foster regional competitiveness. According to Krugman's argument, the outcome of this win-lose type of thinking on regional competitiveness will lead to a clear conflict with the objectives and actions of the Cohesion project. In short, the three trajectories of economic globalization, regionalization and real convergence may well be at odds with each other.

Harmonization of taxes and action against anti-competitive measures by national governments will further severely constrain the operation of regional policies. As the MacDougall Report argued over 20 years ago, the neglect of a system of fiscal transfer at the EU scale –an issue not yet resolved– could well retard or even terminally compromise the project of integration itself (CEC, 1977).

It is surprising that there is no economic calculation about the 'road' to European economic and monetary union. No one knows its cost and an analytical estimation were never carried out. This highlights the likely tremendous drawbacks of the present Structural Funds' status, which may have negative effects on the recipient countries concerning the orientation of the investments financed by Community funds and therefore their likely limited impact to the economic and social cohesion in Europe.

The results of the EU Structural Funds are better now than before the 1988 reform, mainly due to the fact that every EU country now conducts regular evaluations of regional policy (Bachtler and Michie, 1995 and 1997), but in general their outcome is not so good. The resurgence of interest in the 1980s for regional policies at the European level came in fact at a time when, at the national level, the assessment of regional policies was disappointing. During the 1960s and 1970s European governments pursued active regional policies especially in the form of subsidies to attract industries to poor regions. But the effectiveness of such costly policies was subsequently questioned (Martin P., 1998).

There are still big discrepancies between EU regions, whilst nominal convergence (inflation, interest rates, public and budget deficits) does not lead to a real convergence as, initially, it was believed it would. In any case, thirteen years (1988-2000) is a short period for the impact to become apparent. The desired results could only appear much later, since the structural change required is a long-term process.

Furthermore, without evidence of convergence of the 'real economies' of member states, as documented by increased output and employment growth, productivity and falling unemployment rates, fears exist that monetary union could exacerbate the problems of weak regions in the EU 15 (Baddeley et al., 1997). Arguably, the nature and scale of the shock produced by monetary union, and the continuation of tight fiscal policy through the Growth and Stability Pact agreed at Amsterdam in 1997, could increase regional unemployment disparities by exposing these weaker regions to greater levels of deregulation and flexibilization (Fothergill, 1997).

On the other hand, in the case of enlargement, this would create serious problems, as almost all the existing 15 member states would become net contributors to the regional and social budgets, and very likely to the EU budget as a whole. This would bring huge obstacles to the Southern European manpower to adapt to the labor market needs, given the tightening of the EU training (human resources) funding.

Concerning the Community Initiatives as a whole, they have had some success in achieving their basic objectives of helping to encourage policy innovation and experimentation, while acting as an important vehicle for

transnational actions. On the other hand, it has not always been possible to achieve a genuine added value from their interventions, and there has been a tendency in some cases for them to duplicate actions contained in the mainstream programs (Hall, 1997). In effect, the 1999 reform restricted them to four fields, where the added value is more clearly established.

## **6.2. The CAP Reform**

As the Cohesion Report demonstrated, although the CAP is a sectoral rather than a 'cohesion' policy, it has significant impact on regions and social groups (CEC, 1996: 59-66) and remains the major item in the Union's budget, although structural policies have caught up considerably (CEC, 1997b).

In general, it is ambiguous if this further move from supporting production through prices towards direct payments would tend to have the more favorable impact in relative terms on the smaller producer and on many of the poorer rural regions of the Union. Meanwhile, the moves towards a rural development policy to create alternative opportunities for farmers and their families imply an increasing blurring of the distinction between the sectoral and cohesion roles of the CAP (Hall, 1997).

## **6.3. Conclusion**

The Commission should act not as a legislator, but as a catalyst, as a conciliator between the different groups, providing a forum in which national ministers, officials or experts can exchange ideas in a way which facilitates a gradual convergence of national thinking and policies within the Community. A more harmonious relationship between the Commission and the governments of the member states must develop by an increased expenditure by means of the ERDF, as well as the ESF, for two reasons:

a) To remedy the severe imbalance in spending of the EU budget in favor of the Guarantee Section of the EAGGF, which has been used mainly to support the income of certain categories of farmers, unevenly distributed among the member states as a proportion of the economically active population.

b) To create financial transfers in favor of the member states which will have the least net gains from the unification of the internal market and the monetary union. A diminishing role for agriculture and an increasing role for structural policy are preconditions for equity in the budget. The influence of this political factor tended to shift the emphasis of structural intervention (including that by means of the ESF) to concerns of regional policy rather than of social policy. During the last decade (1990-2000), however, there were signs that this long-term shift of emphasis was beginning to be reversed.

Although the principle of subsidiarity –which refers to the need to ensure that responsibilities are not taken at any higher level than they need to be– does

limit the scope of a supranational organization, there is still scope for a European social policy which establishes principles and develops other kinds of solidarity. If, moreover, the issue is genuinely one of subsidiarity, it implies not only that the European Commission must limit and devolve its powers, but also that wherever possible national governments should do the same.

### **7. TRANS-EUROPEAN NETWORKS (TENs)**

A study of the effects of the development of the Trans-European high speed rail network suggests that the Trans-European networks (TENs), despite the claims of the Maastricht Treaty to the contrary, might broaden rather than narrow differences in accessibility between central and peripheral regions (Vickerman et al., 1999).

If a European transport policy were intent on achieving this, on promoting the cohesion between the regions in Europe and reducing inter-regional economic and social differences, it would mean a major change to the concentration of TENs investment program to support transport links inside and between the peripheral regions, at the expense of, rather than in addition to, transport investment in the European core. The European Commission now acknowledges these conflicting forces. The 1996 Cohesion Report states that the "net cohesion effect of EU transport... policy is difficult to assess... cohesion countries stand to gain in absolute terms... but not necessarily in relative terms" (CEC, 1996: 8).

The location of firms can be affected in two ways by regional policies. First, they involve transfers of purchasing power to the poor regions and these are large in quantity. Second, since they mostly fund public infrastructure, with the main emphasis on transport infrastructure, they have an impact on the cost of trade inside and between regions.

The new economic geography appears to be bad news. If inter-regional trade, as opposed to intra-regional trade, is encouraged by the infrastructure, which is funded by the transfer, then the regional policy can be bad for the poor region. An example of this is the classification of the building of a road between two cities in Calabria as intra-regional, whilst the construction of a highway between Calabria (poor, peripheral region) and Lombardia (rich core region) is considered inter-regional. The Commission's TENs program also belongs to that classification.

It is possible that if the Structural Funds finance inter-regional infrastructure, they may end up attracting firms away from the poor to the rich region and thus the opposite effect to that desired will be achieved. This is because by making inter-regional trade easier, an incentive is provided to firms to place themselves near the biggest market (the rich region), since this allows them to make the most of increasing returns to scale in the large market, while

making sales to the poor region easier. Encouraging trade between the two regions has the effect of taking away trade barriers that give a certain monopolistic power to firms situated in the poor region, which protects them from external competition. With the disappearance of these barriers there is a reduction in motivation to locate in the poor region.

This does not contradict some regional scientists on regional policies in Europe. Vickerman (1996), for instance, claims that: "policy towards networks within the peripheral regions has been concerned with high level access to the core central nodes and not enough towards genuine network development in the periphery itself".

The study of Faini (1983) on Mezzogiorno points the same way. He claims that the lower transport costs between the North and South of Italy after World War II reduced the industry's protection in the South and speeded up the divergence of incomes through de-industrialization.

It might be the case that not all levels of transaction costs are affected by regional policies that finance infrastructure between rich and poor regions in this unusual way. It has been demonstrated, by Krugman and Venables (1990), that reducing transaction costs between regions, when they are very low to begin with, might in fact encourage convergence between poor regions and rich regions. The reason for this is that very low transaction costs mean location is mostly a result of factor market competition rather than the possible benefits of increasing returns, i.e. variations in expenditures which support the rich regions and so agglomeration. In this instance, it may be in the firms' interest to relocate in regions with plenty of labor, to make the most of lower wage costs.

Thus, regional policies that help lower the cost of transactions between rich and poor regions can favor poor regions by encouraging firms in labor intensive industries to relocate there. On the other hand, the specialization process that would be a result of the decreasing transaction costs, brought about by regional policies, might not be the sort of convergence envisaged by European policy makers. Labor intensive goods would be the specialty of poor regions, whilst capital (human and physical) intensive goods would be the specialty of rich ones.

Krugman (1991b) claims that the distribution of manufacturing production will be dependent on the distribution of the "primary stratum" of peasants, in an economy based on high transportation costs, a small portion of footloose manufacturing, or weak economies of scale. Lower transportation costs, a higher manufacturing share or stronger economies of scale, lead to circular causation, and manufacturing will center on the region that is first to get off the ground.

The picture as a whole of the new geography-type models on the likely effect of regional aid programs is thus somewhat negative, since it might not

influence economic geography (in the case where an agglomeration mechanism is in force), or it could have the opposite effect of encouraging the agglomeration process.

The model to be found in Martin's (1999) paper is a two-region endogenous growth one, in which public infrastructures and industrial location are of vital importance. It suggests that reduced transaction costs within the poorest region, resulting from an improvement in infrastructures, reduces not only the spatial concentration of industries, but also the growth rate, and increases the income gap between the two regions. From a theoretical viewpoint, the model shows a policy trade-off between total growth and regional equity. This suggests that regional policies that improve regional equity, for example, by making better infrastructures in the poor region so as to attract firms, might not encourage the geography that would most favor growth.

Indeed, the reverse effect follows an improvement in infrastructure facilitating transactions between regions. In this manner, the paper points to a trade-off between growth and the spatial distribution of economic activities.

This trade-off has to be acknowledged by regional policies that encourage improvement in public infrastructures that support intra-regional trade or favor direct transfers to a poor region.

Policies, which result in a reduction in the cost of innovation, for instance, by the use of subsidies, may result in higher growth, lower monopolistic profits for capital owners and more even spatial distribution of incomes and economic activities. It would appear, from this viewpoint, that these policies are preferable to the regional policies at present popular in Europe.

## **8. THE ESDP, STRUCTURAL FUNDS AND RDAs**

The year 1999 marked the completion of the European Spatial Development Perspective (Faludi, 2001). This was a major landmark in European spatial planning, although there is as yet no formal EU competence, and represented a major step forward for those who advocate that the EU should have a spatial policy in order to promote greater coherence between its many sectoral policy instruments.

The ESDP has become relatively high profile since 1997, although it is still not widely understood by many practicing planners. Its main target is to contribute to the evolution of a more 'multi-centered European area', with a more balanced territorial development. There remains considerable suspicion about its underlying purpose, and failure to comprehend its scope or to appreciate how it may have a role to play in relation to more orthodox and statutory procedures of local and regional planning (Williams, 1999b).

Urban funding is intended to be 'mainstreamed' within the Structural Funds for the 2000-06 funding period. The whole issue of the relationship with the Structural Funds is also critical, since there is no question of a formal relationship during the period 1994-99 (Williams, 1999b).

The attraction is that the ESDP could offer the means to greater transparency in Structural Fund allocations, and the basis for a rational overall strategy. Opposition is expressed not merely because some governments cannot see the point of the ESDP, but precisely because they can see it playing such a role, which may not be welcome as existing levels of benefit may come under scrutiny (Williams, 1999a).

More broadly, Article 7D of the Treaty of Amsterdam commits the EU to 'promoting territorial and social cohesion'. The ESDP is potentially a key document in enabling DG XVI (Regional Policies and Cohesion) to evaluate specific sectoral policy initiatives from other DGs, in terms of their contribution to the achievement of territorial cohesion.

Meanwhile, a test of the ESDP will be how far it frames the discussion on spatial strategies for the Regional Development Agencies (RDAs), namely the creation of devolved regional government institutions. RDAs have played an important role in the rise of bottom-up regional policy in Western Europe, and it is often maintained that the RDA approach offers a significant supplement or alternative to the traditional financial incentives of central government (Halkier and Danson, 1997).

## 9. CONCLUSIONS

Although during the 1970s and the 1980s the impact of Community regional policy was not significant, for the period 1988-2000 EC regional policy, in general, can be assessed positively: it has mobilized a considerable amount of resources and has achieved a higher efficiency in its interventions through multi-annual programming, partnership, concentration on specific Objectives, combination of loans and subsidies, etc. The 1993 and 1999 revisions represent a further positive streamlining of administrative procedures. However, the persistence of the development gap, the challenges associated with integration and the experience gained in the first years of the new regional policy will prompt modifications to the guidelines to be followed in future years.

The period 1989-2000 has seen a significant increase in the evaluation of regional policy. During the early 1980s, regional policy evaluation was concentrated in Northern Europe, the UK and Germany in particular. Elsewhere, especially in some Southern European countries, evaluation was relatively weak (Wadley, 1986). In the interim, regional policy evaluation has grown in usage. By contrast with the position at the start of the 1980s, every EU country now

conducts regular assessments of regional policy. This also reflects the interest of the European Commission in evaluation and the pressure on member states to assess the impact of EU regional expenditure, something which is very clear in the 1999 reform of the Structural Funds.

The commitment to economic and social cohesion is recognition of the need to compensate member states for further concessions of autonomy in the use of legal and financial instruments to influence economic activity. If low levels of per capita income and regional peripherality remain the same or even increase with the eastward shift of the EU center of gravity, the process of integration based on the single market and monetary union could be seriously hindered. This could endanger not only the less developed member states, but also the Community as a whole. So, the increase of EU financial aid for structural purposes is essential in order to achieve cohesion and thus convergence.

The most important policies carried out by the EU to improve redistribution of wealth are regional and social policies. The instruments used for both reflect the wish of the EU to make these policies instrumental, in promoting more allocational efficiency as well. Social policy in the EU has limited objectives and consists mostly of a redistribution of resources through the European Social Fund for the retraining of workers of depressed regions. The effect of the Regional Fund on the regional disparities' decrease is uncertain. The effect of European integration in general is not solidly documented.

Whether the EU has helped to diminish the disparity in national wealth and is a major determinant of disparity in regional wealth, is a matter of debate, although the impression is that the EU has achieved this goal at least to some extent (extreme example the case of Ireland, although the Community's financial aid is only one of the reasons of the Irish rapid economic growth). Evaluations of the effectiveness of both policies (regional and social) are fairly critical; although the redistribution effect in budgetary terms is certain, the contribution to growth and efficiency appears to be limited.

**Table n° 1**

The Structural Funds 1989-1993	Eligibility	% of funds
Objective 1 Lagging regions	all Funds	63
Objective 2 Declining regions	ERDF, ESF	12
Objective 3 Long-term unemployment	ESF	} 12
Objective 4 Youth unemployment	ESF	
Objective 5a Agricultural adjustment	EAGGF	6
Objective 5b Rural development	all Funds	5
Other		2

Source: CEC, 1990.

**ABBREVIATIONS**

CAP	=	Common Agricultural Policy
CEC	=	Commission of the European Communities
CSF	=	Community Support Framework
DG	=	Directorate General
EAGGF	=	European Agricultural Guidance and Guarantee Fund
EC	=	European Community
ECSC	=	European Coal and Steel Community
EFTA	=	European Free Trade Association
EIB	=	European Investment Bank
EMU	=	Economic and Monetary Union
ERDF	=	European Regional Development Fund
ESDP	=	European Spatial Development Perspective
ESF	=	European Social Fund
EU	=	European Union
FIFG	=	Financial Instrument for Fisheries Guidance
GATT	=	General Agreement on Tariffs and Trade
GDP	=	Gross Domestic Product
GNP	=	Gross National Product
ILO	=	International Labor Office
IMPs	=	Integrated Mediterranean Programs
JCMS	=	Journal of Common Market Studies
LFS	=	Labor Force Survey
NCI	=	New Community Instrument
NPCIs	=	National Programs of Community Interest
NUTS	=	Nomenclature of Statistical Territorial Units
OECD	=	Organization for Economic Cooperation and Development
PPS	=	Purchasing Power Standards
R & D	=	Research and Development
RDAs	=	Regional Development Agencies
RTD	=	Research and Technological Development
SEA	=	Single European Act
SMEs	=	Small and Medium Enterprises
TENs	=	Trans-European Networks
VAT	=	Value Added Tax
WTO	=	World Trade Organization

## DATA APPENDIX

The regional disaggregates used try to conform to Eurostat nomenclature of statistical territorial units referred to as NUTS. Any NUTS-1 territorial unit contains an integral number of NUTS-2 units which each, in turn, contains an integral number of NUTS-3 units, and so on.

Inside each member state, however, terminology varied. France, Italy and Greece referred to NUTS-2 units as regions. Greece calls its NUTS-3 units *nomoi* (singular *nomos*); Spain, districts; and Portugal, provinces.

Ireland called its NUTS-3 units regions. Quah's (1997a) study has not been able to obtain disaggregate Irish data NUTS-3 levels. According to Eurostat, no NUTS-2 disaggregates are defined for Ireland.

Greece has 51 NUTS-3 economies; Spain, 50; Portugal; 18.

## REFERENCES

- Ardy B., 1988, "The National Incidence of the European Community Budget", *Journal of Common Market Studies*, 26, 4, 409-429.
- Armstrong H.W., 1995, "Convergence Among Regions of the European Union 1950-1990", *Papers in Regional Science*, 74, 143-152.
- Bachtler J., Michie R., 1995, "A New Era in EU Regional Policy Evaluation? The Appraisal of the Structural Funds", *Regional Studies*, 29, 8, 745-751.
- Bachtler J., Michie R., 1997, "The Interim Evaluation of EU Regional Development Programs: Experiences from Objective 2 Regions", *Regional Studies*, 31, 849-858.
- Bachtler J., Michie R., 1999, "The New Structural Fund Regulations", *Regions: the Newsletter of the Regional Studies Association*, n° 224, 22-31, December.
- Baddeley M., Martin R., Tyler P., 1997, "European Regional Unemployment Disparities: Convergence or Persistence?", paper presented at the Regional Studies Association Conference, September, Frankfurt, Oder.
- Barro R.J., Sala-i-Martin X., 1991, "Convergence Across States and Regions", *Brookings Papers of Economic Activity*, 1, 107-182.
- Barro R.J., Sala-i-Martin X., 1995, *Economic Growth*, McGraw-Hill.
- Begg I., 1989a, "European Integration and Regional Policy", *Oxford Review of Economic Policy*, 5, 2, 90-104.

- Begg I., 1989b, "The Regional Dimension of the '1992' Proposals", *Regional Studies*, 23, 4, 368-376.
- Boltho A., Holtham G., 1992, The Assessment: New Approaches to Economic Growth, *Oxford Review of Economic Policy*, 8, 1-14.
- CEC, Commission of the European Communities-1977, MacDougall Report, Report of the Study Group on the Role of Public Finance in European integration, Vol. 1, CEC, Brussels/Luxembourg.
- CEC, 1990, Guide to the Reform of the Community's Structural Funds, Office for Official Publications of the European Communities, CEC, Brussels/Luxembourg.
- CEC, 1991, The regions in the 1990s: Fourth periodic report on the social and economic situation and development in the regions of the Community, CEC, Brussels/Luxembourg.
- CEC, 1993a, Twenty-Sixth General Report on the Activities of the European Communities, CEC, Brussels/Luxembourg.
- CEC, 1993b, Community Structural Funds 1994-99: Regulations and Commentary, CEC, Brussels/Luxembourg.
- CEC, 1993c, Growth, Competitiveness and Employment: The Challenges and Ways forward into the Twenty-First Century, CEC, Brussels/Luxembourg.
- CEC, 1996, First Report on Economic and Social Cohesion, COM, 96, 542, CEC, Brussels/Luxembourg.
- CEC, 1997a, The Structural Funds and the Cohesion Fund from 2000 to 2006, DG for Regional Policy and Cohesion, CEC, Brussels/Luxembourg, July.
- CEC, 1997b, Agenda 2000: for a Stronger and Wider Union, COM, 97, 2000 Final, CEC, Brussels/Luxembourg.
- Court of Auditors, 1981, "Annual Report Concerning the Financial Year 1980 Accompanied by the Replies of the Institutions", *Official Journal of the European Communities*, C344, 31 December.
- Dunford M., 1993, Regional Disparities in the European Community: Evidence from the REGIO Databank, *Regional Studies*, 27, 727-743.
- Dunford M., Hudson R., 1996, "Successful European Regions: Northern Ireland Learning from Others", *Research Monograph 3*, Northern Ireland Economic Council, Belfast.
- Esteban J.M., 1994, "La Desigualdad interregional en Europe y en Espana: Description y analisis, in Crecimiento y convergencia regional en Espana y en Europa", Vol. II, Instituto de Analisis Economico, Barcelona.

- Eurostat, various years.
- Faini R., 1983, "Cumulative Process of Deindustrialization in an Open Region: the Case of Southern Italy, 1951-1973", *Journal of Development Economics*, 12, 277-301.
- Faini R., 1984, "Increasing Returns, Non-Traded Inputs and Regional Development", *The Economic Journal*, 94, 308-323.
- Faludi A., 2001, "The Application of the ESDP: Evidence from the North-West Metropolitan Area", *European Planning Studies*, 9, 5, 663-675.
- Fothergill S., 1997, "The Premature Death of EU Regional Policy?", *European Urban and Regional Studies*, 5, 2, 183-188.
- Giannias D., Liargovas P., Manolas G., 1999, "Quality of Life Indices for Analyzing Convergence in the European Union", *Regional Studies*, 33, 1.
- Graham B., Hart M., 1999, "Cohesion and Diversity in the European Union: Irreconcilable Forces?", *Regional Studies*, 33, 3, 259-268.
- Hadjimichalis C., 1994, "The Fringes of Europe and EU Integration: a View from the South", *European Urban and Regional Studies*, 1, 1, 19-29.
- Halkier H., Danson M., 1997, "Regional Development Agencies in Western Europe: A Survey of Key Characteristics and Trends", *European Urban and Regional Studies*, 4, 3, 243-256.
- Hall R., 1997, "Agenda 2000 and European Cohesion Policies", *European Urban and Regional Studies*, 5, 2, 176-183.
- Krugman P., 1991a, *Geography and Trade*, MIT Press, Cambridge, MA.
- Krugman P., 1991b, "Increasing Returns and Economic Geography", *Journal of Political Economy*, 99, 3, 483-499.
- Krugman P., 1996a, "Globalization and 'Globaloney' – what Impact?", *Economic Times*, 7, 2, 4-6.
- Krugman P., 1996b, "The Effectiveness of Exchange-Rate Changes", *Oxford Review of Economic Policy*, 12, 3, 26-38.
- Krugman P., Venables A., 1990, "Integration and the Competitiveness of Peripheral Industry", in Bliss C. and Braga de Macedo J., eds., *Unity with Diversity in the European Economy: the Community's Southern Frontier*, Cambridge, Cambridge University Press, p. 56-75.
- Lewis J., 1995, "Regional Assistance in the Enlarged Union: Time for another Reform", *European Urban and Regional Studies*, 2, 1, 1-2.

- Lucas R., 1988, "On the Mechanics of Economic Development", *Journal of Monetary Economics*, 22, 3-42.
- MacKay R.R., 1995, "Non-Market Forces, the Nation State and the European Union", *Papers in Regional Science*, 74, 209-31.
- Martin P., 1998, "Can Regional Policies Affect Growth and Geography in Europe?", *The World Economy*, 21, 6, 757-774.
- Martin P., 1999, "Public Policies, Regional Inequalities and Growth", *Journal of Public Economics*, 73, 85-105.
- Martin P., Ottaviano G., 1996, "Growing Locations: Industry Location in a Model of Endogenous Growth", *CEPR, Discussion Paper*, 1523, *European Economic Review*.
- Martin R., 1998, "Regional Incentive Spending for European Regions", *Regional Studies*, 32, 6, 527-536.
- Mitsos A., 1994, paper presented to the European Institute, LSE, November.
- Molle W., Boeckhout S., 1995, "Economic Disparity under Conditions of Integration – a Long Term View of the European Case", *Papers in Regional Science*, 74, 105-123.
- Myrdal G., 1957, *Economic Theory in Under-Developed Regions*, Duckworth, London.
- Neven D., Gouyette C., 1995, "Regional Convergence in the European Community", *Journal of Common Market Studies*, 33, 1, 47-65.
- Plaskovitis I., 1994, EC Regional Policy in Greece: Ten Years of Structural Funds Intervention, in Kazakos P., Ioakimidis P.C. (eds.), *Greece and EC Membership Evaluated*, Pinter Publishers, London, p. 116-127.
- Quah D., 1997a, "Regional Cohesion from Local Isolated Actions: I. Historical Outcomes", *CEP, LES, Occasional Paper*, n° 378.
- Quah D., 1997b, Regional Cohesion from Local Isolated Actions: II. Conditioning, *CEP, LES, Occasional Paper*, n° 379.
- Rebelo S., 1991, "Long Run Policy Analysis and Long Run Growth", *Journal of Political Economy*, 99, 1002-1037, October.
- Romer P., 1986, "Increasing Returns and Long Run Growth", *Journal of Political Economy*, 94, 500-521, June.
- Sala-i-Martin X., 1996, "Regional Cohesion: Evidence and Theories of Regional Growth and Convergence", *European Economic Review*, 40, 6, 1325-1352.

- Shackleton M., 1993, "Keynote Article: The Delors II Budget Package", *JCMS, Annual Review*, 31, 11-25.
- Storey D.J., 1982, *Entrepreneurship and the New Firm*, Croom Helm, London.
- Storey D.J., Johnson S., 1987, "Job Generation and Labour Market Change", Macmillan, London.
- University of Linz, 2001, "Study on the Informal Economy in OECD Countries during the Period 1999-2000", the results were announced by the European Commission in Brussels, 28 February 2002.
- Vickerman R.W., 1995, "The Regional Impacts of Trans-European Networks", *The Annals of Regional Science*, 29, 237-254.
- Vickerman R.W., 1996, "Transport Investment, Infrastructure and Regional Convergence", paper presented at the CEPR/CORE workshop on Location and Regional Convergence/Divergence.
- Vickerman R., Spiekermann K., Wegener M., 1999, Accessibility and Economic Development in Europe, *Regional Studies*, 33, 1, 1-15.
- Wadley D., 1986, *Restructuring the Regions: Analysis, Policy Model and Prognosis*, OECD, Paris.
- Williams K., Williams J., Haslam C., 1991, "What Kind of EC Regional Policy?", *Local Economy*, 5, 330-346.
- Williams R.H., 1999a, "The Road to ESPON: The EU Spatial Research Network", paper to Planning Research Conference, University of Sheffield, March.
- Williams R.H., 1999b, "Constructing the European Spatial Development Perspective: Consensus without a Competence", *Regional Studies*, 33, 8, 793-797.
- Yannopoulos G.N., 1989, *The Management of Trade-Induced Structural Adjustment: an Evaluation of the EC's Integrated Mediterranean Programs*, *JCMS*, 27, 4, 283-301.

**L'IMPACT DE LA POLITIQUE DES FONDS STRUCTURELS  
SUR LES DISPARITÉS RÉGIONALES DANS LES PAYS  
DE L'UNION EUROPÉENNE DE 1988 A 2000**

*Résumé* - L'article tente d'analyser l'impact des Fonds structurels sur les disparités économiques et sociales et le développement des régions dans les pays de l'Union européenne. Bien que l'évaluation des politiques structurelles soit un exercice complexe et délicat, nous concluons que leur influence en termes de croissance et d'efficacité reste encore limitée.

**EL IMPACTO DE LAS POLÍTICAS DE LOS FONDOS  
ESTRUCTURALES EUROPEOS SOBRE LOS ESTADOS  
DE LA UNIÓN EUROPEA DE 1988 A 2000**

*Resumen* - Este artículo intenta analizar el impacto de los fondos estructurales sobre las disparidades económicas y sociales y el desarrollo de las regiones en los países de la Unión Europea. Aunque la evaluación de las políticas estructurales es un ejercicio complejo y difícil, concluimos que su influencia en lo que se refiere al crecimiento y a la eficacia queda todavía limitada.