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The turning points of EU Cohesion policy¹

Report Working Paper of

Gian Paolo Manzella

European Investment Bank
Luxembourg

Carlos Mendez

European Policies Research Centre
University of Strathclyde
United Kingdom

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INTRODUCTION

EU Cohesion (or regional) policy has not had an easy life. Since its inception, the criticism it has been subjected to has been a constant in the history of the European Union. When the European Regional Development Fund (ERDF) was first created in the mid-1970's, the German Chancellor Helmut Schmidt mocked that there was nothing much of Community interest in the policy and that it "lay firmly in the hands of national governments."² Academic commentators were equally dismissive during this foundation period, criticising the fund's limited scope and scale, trivial impact, and Member State-dependent organisation and operation.³

The current Cohesion policy has not been immune from this long-standing streak of criticism. In many ways, Cohesion policy remains "under threat",⁴ as a range of academics, analysts, practitioners and European governments continue to question the policy's rationale, organisation and effectiveness. For instance, amongst the key criticisms that arose in the run-up to the most recent reform (2005/6), are the following: that it has developed into a 'catch-all' policy without a clear mission; that it is insufficiently focused on growth; that it has inadequate policy instruments; and that it is excessively complex and bureaucratic to administer.⁵ Despite the introduction of several important changes for the 2007-2013 period, similar objections have begun to surface in the context of the current debate on the future of Cohesion policy post-2013.⁶

One of the biggest problems for defenders of Cohesion policy is the difficulty in providing a credible economic case for the policy, based on conclusive evidence of effective results. After more than thirty years of intervention, the contribution of Cohesion policy to economic development and growth remains contested and uncertain.⁷ A wide range of results are reported in a vast literature on the subject, ranging, at best,

² See Bulmer S., and Paterson W., (1987), *The Federal Republic of Germany and the European Community*, London, Allen and Unwin, p. 202.

³ Wallace H., (1977), *The establishment of the Regional Development Fund: Common Policy or Pork Barrel?* in Wallace H, Wallace W and Webb C (eds.), *Policy-making in the European Community*, Oxford University Press, Oxford, pp. 137-63; Martins R.M., and Mawson J., (1982), *The Programming of Regional Development in the EC: Supranational or International Decision-making?*, in *Journal of Common Market Studies*, Vol. 20, No. 3, pp. 229-244; Meny Y., (1982), *Should the Community Regional Policy be scrapped?*, in *Common Market Law Review*, Vol. 19, No.3, pp. 373-88; Armstrong H. W., *The reform of the European Community Regional Policy*, in *Journal of Common Market Studies*, Vol.23, No.4, pp 319-343; De Witte B., (1986), *The reform of the European Regional Fund*, in *Common Market Law Review*, pp. 419-440.

⁴ Hooghe L., (1988), *EU Cohesion policy and competing models of EU capitalism*, in *Journal of Common Market studies*, Vol.36, No.4, pp. 457-77.

⁵ See, for instance, the "Sapir Report": Sapir A., Aghion P., Bertola G., Helwig, M., Pisany-Ferry J., Rosati D., Viñals J., and Wallace H., (2004) *An Agenda for a Growing Europe*, Oxford University Press, Oxford. For similar criticisms see: Tarschys D., (2003) *Reinventing cohesion: the future of European Structural Policy*, in *SIEPS*, Stockholm. Among national governments' contributions to the debate, the UK's *A modern regional policy for the United Kingdom* of March 2003 has been the most advanced in calling for a radical revision.

⁶ See the responses to the Commission's consultation on the future of Cohesion policy on the DG Regio website. A review is available in Bachtler J., Mendez C., and Wishlade F., (2009), *Ideas for Budget and Policy Reform: Reviewing the Debate on Cohesion Policy 2014+*, European Policy Research Papers, No. 67, European Policies Research Centre, University of Strathclyde, Glasgow.

⁷ Bachtler J., and Gorzelak G., (2007), *Reforming EU Cohesion Policy*, in *Policy Studies*, Vol. 28:4, p309.

from positive correlations between Structural Funds intervention and growth to, at worst, negative impacts.⁸

This uncertainty has often led advocates of the policy to emphasise the beneficial impacts associated with the qualitative “added value” generated by Cohesion policy’s implementation model.⁹ Multi-annual planning requirements are said to have encouraged the adoption of more long-term and strategic approaches to economic development by different tiers of government. A range of monitoring, evaluation and control conditions are considered to have contributed to the improvement of public administration processes and cultures. The requirement to involve different types of partners in the design and implementation of programmes, it is argued, has encouraged more inclusive policy-making and delivery, and has contributed to broader decentralisation trends across Europe. From a financial perspective, it is reported that additional resources for economic development have been leveraged through the additionally principle and match-funding requirements. More generally, it is argued that Cohesion policy has had an effect in steering national preferences towards European objectives, through an ongoing process of europeanisation of national institutions and the diffusion of European values. Again, however, critics question the contribution of the Structural Funds to these various elements, pointing to the variability of impacts across time and space, not to mention the possibility of attaining similar objectives through less expensive and bureaucratic means.

In more recent discussions on the future of Cohesion policy, however, both critics and supporters have tended to agree on the need for a “modernisation” of the policy, in recognition of existing weakness in the current approach and of the emerging challenges faced by the European economy, society and broader integration process. In this context of reform, this paper will take a step back in time to examine the origins and evolution of Cohesion policy, with a view to shedding some light on its core dynamics and revealing some of the lessons of history. In doing so, the main objectives of this paper are to identify the main historical turning points in Cohesion policy, the trends and nature of changes witnessed, and the key underlying factors facilitating or obstructing policy reform over time.

⁸ For a positive view, see: Beugelsdijk M. and Eijffinger S.. (2005), *The effectiveness of Structural policy in the European Union: an empirical analysis for the EU15 in 1995-2001*, in *Journal of Common Market Studies*, Vol. 43, No. 1, pp. 37-51; Ezcurra R. and Rapu N., (2006), *Regional disparities and national development revisited: the case of Western Europe*, in *European Urban and Regional Studies*, Vol. 13, No. 4, pp. 355-369; Lopez-Rodriguez J. and Faiña A.,(2006), *Objective 1 regions versus non-Objective 1 regions: what does the Theil Index tell us?*, in *Applied Economics Letters*, Vol. 13, pp. 815-820. For a more critical view see: Boldrin M. and Canova F., (2001), *Inequality and Convergence in Europe’s regions: reconsidering European regional policies*, in *Economic Policy*, Vol. 32, pp. 207-245; Miderlfart K, and Overman H, (2002), *Delocation and European integration: is structural spending justified?*, in *Economic Policy*, Vol. 17, No. 35, pp. 321-259; Martin P., (1999), *Are European regional policies delivering?*, in *EIB Papers*, Vol. 4, No. 2, pp. 10-23.

⁹ For a review, see: Bachtler J. and Taylor S., (2003), *The added value of the Structural Funds*, in *IQ-Net Special Paper*, European Policies Research Centre, University of Strathclyde; see also: Mairate A. (2006), *The “added value” of European Union Cohesion policy*, in *Regional Studies*, Vol. 40, No. 2, pp. 167-177.

THE EVOLUTION OF EU COHESION POLICY IN HISTORICAL PERSPECTIVE

Regional policy in the Treaty of Rome

Looking back to the origins of the EC (European Community, later European Union), regional policy appears to be the great absentee. Despite the recognition of the existence of a “regional issue” in all European countries at the Messina convention of 1955 and the presence of a founding country such as Italy (which had in the *Mezzogiorno* the territorial problem *par excellence* in post-war Europe) attention to regional policy in the Treaty of Rome of 1957 was minimal. In the preamble, the founding signatories did declare their aim of “*reducing the differences existing between the various regions and the backwardness of the less favoured regions*”. Article 2 also specified that the Community was tasked with promoting a “*harmonious development of economic activities*” and “*a continuous and balanced expansion*”. However, in the main body of Treaty, the regional issue was largely addressed indirectly, namely, through a series of provisions concerning specific sectoral policies such as agriculture, transport and state aid. The only financial instrument created to directly promote regional development was the European Investment Bank, which had among its tasks that of granting loans “*which facilitate the financing of projects for developing less developed regions*”.

There are three main reasons for this rather vague and cautious approach to regional policy when the European Community was founded.

The first relates to the policy context of the time. While there were some important experiences in the field – the established British and North-American practices, as well as the emerging policy initiatives in France and Italy from the early 1950s – regional policy was still largely a nascent policy area. Moreover, the policy was inherently politically-sensitive as it touched on issues associated with the relationship between public power and enterprise and with the territorial organisation of the state. It is, therefore, understandable that there was reticence to grant responsibilities in this field to a newly established European organisation.

It is significant, in this respect, that still in 1969 the Commission argued that:

*“even more than other branches of economic policy, regional policy is clearly the concern of the public authorities in the member states. The measures it involves fall directly under the political, cultural, administrative, sociological and budgetary organisation of the States. Regional policy forms an integral part of the system of internal balances on what the State is based.”*¹⁰

A second factor was the prevailing economic orthodoxy, which was generally not supportive of the creation of a comprehensive regional policy at Community level. Instead, the emphasis was on the need for coordination of national regional policies.¹¹ Moreover, there was a general and, arguably, over-optimistic feeling among the EC

¹⁰ Commission of the European Communities (1969) *A Regional Policy for the Community*, COM (69) 950, 15th of October 1969, Brussels, p. 13.

¹¹ See Chapter 9 of Balassa B., (1961), *The Theory of Economic Integration*, R.D. Irwin,

founders that integration would contribute to reducing regional disparities through the promotion of inter-regional trade.¹²

Finally, it should not be overlooked that the World Bank was founded in this period and that, more generally, the early 1950s represented a period of great expectation about the capacity of Public Investment Banks to activate dynamics of growth in underdeveloped contexts. In the economics literature of the time, lack of adequate financial capital was seen as one of the main obstacles to the generation of normal dynamics of infrastructure and industrial investment and, therefore, development. The choice to entrust the European Investment Bank with a role in redressing imbalances in Europe thus had some foundation in the economic thinking of the period.¹³

The outcome of these various elements was that the regional issue was dealt with through a series of provisions which bore little, if any, resemblance to what could be termed a coherent supranational approach to regional policy. In addition to the episodic references to the theme in the various articles of the Treaty, the European Investment Bank (EIB) was designed as an intergovernmental body, owned and governed by the Member States. Its statute was clear in assigning to the Member States the final say concerning the admissibility of projects for loans, and the Bank had only functional links with the European Commission. In a similar vein, the exemptions regarding state aids rules for regional development under Competition policy signalled the intention of Member States to retain their autonomy in supporting their underdeveloped areas.

Regional policy was, therefore, not unknown at the beginning of the EC. It was simply decided not to assign a direct, interventionist role to the European Commission, favouring instead an organisation (the EIB) controlled by national governments.

Towards the creation of a Community regional policy

The inadequacy of the decisions made in the Treaty regarding regional policy soon became evident. In the absence of a firm legal basis, and without specific instructions, the initiative for the establishment of a Community regional policy lay with the Commission. Its first move was to organise a “Conference on Regional Economies” in December 1961, attended by national administrators with responsibilities in the area and experts in the field. The main outcome was to kick-start a process of reflection on the subject, including the setting up of working groups comparing different experiences and methods, the commissioning of territorial studies, and the promotion of exchanges of experience among national governments. At an institutional level, the output of this work was officially recognised in 1964 in the Community’s First Medium-Term Economic Policy Programme, which provided the basis for the first Commission Communication (or Memorandum) on Regional policy in 1965.¹⁴ The document argued for the creation of a comprehensive regional policy, entailing the coordination of national initiatives on the basis of regional development programmes grounded on a common methodology and formulated through a participative approach (including sub-national and social partners).

¹² Vanhove L., and Klassen L.H., (1987), *Regional Policy: a European Approach*, Avebury: Aldershot, p. 258.

¹³ See Rostow W., (1960), *The Stages of Economic Growth: A Non-Communist Manifesto*, Cambridge University Press, Cambridge.

¹⁴ Commission of the European Communities (1965) *First Communication of the European Commission on Regional Policy in the European Community*, SEC (65) 1170 def., Brussels

Throughout this period, the Commission also sought to increase direct contact with local and regional administrations through a series of meetings and the diffusion of information.

Notwithstanding these efforts and a series of resolutions by the European Parliament,¹⁵ pressure for the institutionalisation of an EC regional policy arrived only at a later stage - between the end of the 1960s and the beginning of the 1970s. Following the administrative reorganisation of the Commission, the creation in 1968 of a specific Directorate General dedicated to Regional Policy was a clear sign of the increased interest in the matter. Two years later the Commission published a second Memorandum outlining its strategic vision for Community regional policy, including its first formal proposal for a Council decision.¹⁶ The policy rationale underpinning the proposal had a clear compensatory tone, stating that:

“the basic objective of regional policy applied to the general problems of the common market is to help improve the harmony of regional structures in the Community, firstly in order to combat the mechanical effects which tend to develop owing to the mere fact of opening internal frontiers, and secondly in order to permit the implementation of common policies and to create maximum external economies for each of the regions”

The main policy measures and instruments proposed included: the setting up of a Regional Development Fund granting interest rate subsidies and guarantees; the preparation of regional development plans by Member States and the Commission; the creation of a Regional Development Committee; and the setting up of a regional development company acting as an information centre for European public and private investors. While the proposal was not immediately followed up by the Council, the reasons for the sudden interest in regional policy merit further attention.

In the first instance, there was a very specific economic situation. The economic crisis that had erupted in different European countries during this period raised social issues to the fore within EC debates and drew attention to the close link between declining industries and specific territorial areas. The ‘regional’ question was not anymore perceived to be an almost exclusively Southern Italian problem. Demographic, labour market and sectoral challenges were increasingly recognised to be endemic across and within all Community regions to varying degrees.¹⁷

A second, and arguably the most relevant, catalyst for the creation of a Community regional policy was the deepening of the debate on Economic and Monetary Union, which had been launched in the late 1960’s. Both the Barre document, which put the topic on the Community’s agenda, and, more explicitly, the Werner Plan, which defined the path towards monetary integration, emphasised the link between the process of

¹⁵ Resolution of European Parliament of 9th February 1959, in OJEC, 9 February 1959, p. 167 (Resolution Van Campen); Resolution of European Parliament of 2nd June 1960, in OJEC, 2 June 1960, p. 827 (Resolution Motte); Resolution of European Parliament of 22nd January 1964 in OJEC, 8 February 1964, p. 114 (Resolution Birckelbach)

¹⁶ Commission of the European Communities (1969) *A Regional Policy for the Community*, COM (69) 950, 15th of October 1969, Brussels.

¹⁷ *Ibid.* See annexes 1 (“Regional policy in the several member countries of the Community”) and, particularly, 2 (“An analysis of regional developments in the Community”).

monetary integration and the need for regional development intervention.¹⁸ More specifically, it was argued that compensation should be provided for the economic rigidities imposed on state budgets by the path of monetary unification. As it was stated in Chapter III of the Werner Report:

“the realization of global economic equilibrium may be dangerously threatened by differences of structure. Cooperation between the partners in the Community in the matter of structural and regional policies will help to surmount these difficulties, just as it will make it possible to eliminate the distortions of competition. The solution of the big problems in this field will be facilitated by financial measures of compensation. In an economic and monetary union, structural and regional policies will not be exclusively a matter for national budgets.”

Finally, and most importantly in political terms, this economic context was coupled with changes in Community membership and the related emergence of a new coalition of interests. At the beginning of the 1970's, the first Community enlargement to include the UK and Ireland gained momentum, the latter economy facing significant development challenges and the former having a long-standing tradition of activist regional policy intervention. Moreover, from the UK's perspective, a Community-level regional policy represented a potentially useful mechanism for drawing down EU funding to improve its net budgetary balance, given the relatively low projected returns under the Common Agricultural Policy (CAP). It is on these premises that an “alliance” was struck between the UK, Ireland and Italy for the acceleration of a process which had been blocked since 1969.¹⁹

The arrival of the ERDF

At the beginning of the 1970's, Community regional policy was firmly on the EC agenda. Following the consideration given to regional problems in the context of agricultural policy reform,²⁰ the policy initiation stage was launched with the approval of a resolution at the Conference of Heads of State of Paris in 1972. On that occasion, the Member States declared their intention to “*give top priority to correcting the structural and regional imbalances in the Community which could hinder the achievement of the Economic and Monetary Union.*” In order to find “*a Community solution of regional problems*”, the Commission was invited to prepare a report analysing regional problems in the Community and to put forward a proposal for the creation of a Regional Development Fund.

¹⁸ See the Commission's *Memorandum on the coordination of economic policies and monetary cooperation* (12 February 1969), in *Bulletin of the European Communities*, 1969, No Supplement 3/69, pp. 3-14 and *Report on the realisation by stages of economic and monetary union* (8 October 1970), in *Bulletin of the European Communities*, 1970, No Supplement 11/70, pp. 5-29.

¹⁹ For the classic treatment, see: Wallace H., (1977) *op.cit.* For a more recent discussion, setting the establishment of European regional policy in the context of the wider attention to social themes of the Community policy of the period, see Varsori L. and Mechi A., (2007), *At the origins of the Structural and Social policy* in Van der Harst J., (ed.) (2007) *Beyond the customs Union: the European Community's quest for deepening, widening and completion, 1969-1975*, Bruylant, Bruxelles/Paris, Nomos/Verlag, Baden-Baden.

²⁰ Commission of the European Communities (1971) *Regional Policy actions in priority agricultural regions*, COM (71) 500 def, Brussels.

Following these instructions, the Commission's reform proposals were outlined in the "Report on Enlarged Europe" of May 1973, better known as the "Thomson Report" after the new British Commissioner for Regional Policy, George Thomson.²¹ It was immediately clear, from the perspective of the Commission at least, that the setting up of a Community regional policy was much more than a mere compensatory tool for integration spillovers. The report argued that reducing the differences existing between the various regions and the backwardness of the less-favoured regions was "*a human and moral requirement of the first importance*" because:²²

"No Community could maintain itself nor have a meaning for the people which belong to it so long as some have very different standards of living and have cause to doubt the common will of all to help each Member State to better the condition of its people. (...) Unless the Community's economic resources are moved where human resources are, thus sustaining living local communities, there is bound to be disenchantment over the idea of European unity. The long history and diversity of the European people, the historical and cultural values which are the moral wealth of each region, make the maintenance of establishment in each region of the groundwork of an up-to-date economy a matter of capital importance."

In this sense, regional policy was perceived as a crucial instrument for the identity of a European model of society, and for the legitimacy and viability of the whole political process of integration. Yet the link to European Monetary Union (EMU) was also clear:

"No Member States can be expected to support the economic and monetary disciplines of Economic and Monetary Union without Community solidarity involved in the effective use of such instruments: equally Member States must be prepared to accept the disciplines of Economic and Monetary Union as a condition of this Community support." (p. 19)

In terms of the economic and policy rationale, the purpose of a Community regional policy was defined as providing "*areas suffering from regional imbalances the means to correct them and put themselves on a footing of more equal competitiveness.*" The Thomson report stated that these regional imbalances comprised those that arose from the "*absence of modern economic activity or the over-dependence (...) on agriculture or declining industrial activities*" which could logically be found in specific geographical areas with a "*preponderance of agriculture, in areas of industrial change and of structural under-employment.*" Lastly, under the next section on the proposed guidelines for Community regional policy, it was stated that the Regional Development Fund "*should be devoted entirely to the medium and long term development of the less developed and declining regions within the Member States, with the aim of bringing about self-sustaining growth.*"

²¹ Commission of the European Communities (1973) *Report on the Regional Problems of the Enlarged Community*, COM (73) 550 def, Brussels

²² Ibid. pp. 12-13. On a similar tone, Mr. Renato Ruggiero, at that date Head of the Regional Policy Directorate, argued that regional policy responded to "...a moral, human and political duty, more than just an economic one. It is clear that no Community can develop and endure its internal tensions if the population of which it is composed live in very different conditions and if they come to doubt the existence of a common will to improve them," (author's translation), Speech at the 5th European Management Symposium, 3 February 1975, Davos.

More detailed legislative proposals were subsequently submitted by the Commission to the Council in July 1973. The negotiations were lengthy and involved strong divisions among Member States and with the Commission. After agreement on the main financial elements at the summit of December 1974, the regulations were approved by the Council in March 1975.²³ However, the final outcome could not be described as a comprehensive and common regional policy based on Community-wide criteria and priorities. Not only was the ERDF's budget and distribution calculated on an intergovernmental basis, but Member States also retained direct control over every aspect of the Fund's management and implementation.

The total agreed budget for the Fund was 1.3 billion European Units of Account over a three year period (1975-8), representing around 5 percent of the Community budget. The distribution of resources to each Member State was determined on the basis of a system of national quotas, setting out the percentage share allocated to each Member State. The shares were largely worked out on the basis of inter-state bargaining, linked to net budgetary balances, and did not have a direct, explicit link to Community regional development needs. Similarly, geographical eligibility was to be determined on the basis of areas targeted under the Member States own regional policies, while applications for project financing would be channelled through (and essentially approved by) central governments, with no significant role for the Commission, let alone sub-national actors. Lastly, the planning system established by the regulation to allow the Commission to play a co-ordinating role among Member States' regional policies was applied loosely and with limited effect; the Member States regional development plans were submitted late, lacked rigour and had limited impact on the projects selected.²⁴

Summing up, the Community's regional policy and its decision-making dynamics were, at this stage, a "virtual paragon of intergovernmentalism", with Member State governments dominating all aspects of the process.²⁵ The institutionalisation of a truly European regional policy was, therefore, far from attained.

²³ Regulation (EEC) No 724/75 of the Council of 18 March 1975 (OJ L 73, 21 March 1975).

²⁴ See Commission's opinion of 23 May 1979, stressing the need for further refinement of the programmes if they were to constitute a precise framework for project assessment (OJ L 143, 12 June 1979).

²⁵ McAleavey, P. (1992), *The Politics of European Regional Development Policy: The European Commission's RECHAR Initiative and the Concept of Additionality*, in *Strathclyde Papers on Government and Politics*, No. 88, University of Strathclyde, Glasgow, p. 3.

The 1979 and 1984 reforms: the gradual Europeanisation of Community regional policy.

The inadequacies of the newly created Community regional policy were clear from the outset. In line with the conclusions of the controversial Tindemans report,²⁶ there was widespread recognition of the need for a stronger Community regional policy which had increased resources and was: better suited to address the problems of European economies; more anchored in Community objectives and criteria; targeted at Community areas in greatest need; equipped with better co-ordinated instruments; and involved a stronger role for the Commission.²⁷

The need was all the more pressing in the light of the changed economic scenario. The oil crisis was taking its toll both on the European economy and on the financial conditions of many of the Member States. The persistence and deepening of regional imbalances threatened the proper functioning of the Common Market itself and new problems of adaptation and redevelopment added further complexity to the regional problems of the Community.²⁸

The opportunity for reform arose with the requirement for the Council to re-examine the regulation by January 1978. The process was launched in June 1977 with the Commission's submission of 'Guidelines on Community Regional Policy', alongside a more detailed legislative proposal.²⁹ After lengthy negotiations, the amended regulations were approved in 1979.³⁰

From a budgetary perspective, a 50 percent annual increase in the ERDF was secured for the following year, although the total remained modest as a share of the overall budget (rising to 7 percent by 1983). More significant, however, were the qualitative changes to policy, most notably the introduction of a "non-quota section" to support Community actions arising from problems of common interest. With a share of 5 percent of the ERDF budget, the non-quota section allowed the Commission to support areas outside those designated by the Member States for domestic regional policy, and could take the form of financing for programmes instead of projects. Freed from a strict dependency on national rules, the Commission gained a more strategic role.

²⁶ See Report on European Union, in Bulletin of the European Communities. 1976, No Supplement 1, pp. 11-35 (specifically, PART III-C).

²⁷ Wallace, H., (1977) *op.cit.*; Mawson J, Rui-Martins M and Gibney J.T., (1985), *The Development of the European Community Regional Policy*, in Jones B and Keating M (1985), *Regions in the European Community*, Clarendon Press, Oxford; G.J. Croxford, M., Wise, B.S., Chalkley., (1987) *The Reform of the European Regional Development Fund: A preliminary assessment*, in *Journal of Common Market Studies*, Vol. 26 No. 1, pp. 25-38.

²⁸ See Commission of the European Communities (1980), *Fifth Annual Report – European Regional Development Fund (1979)*, COM (80) 460, 29 July 1980: "The gap between the richer and poorer regions widened in the seventies, mainly due to relatively high inflation rates in Ireland, Italy and the United Kingdom and the movements in the rates of exchange caused thereby" (at point 8). See also the brochure: Commission of the European Communities (1980), *The Community and its Regions*, European Documentation 1/80, Brussels.

²⁹ Commission of the European Communities (1977), *Communication of the European Commission*, COM 77 (195) def, Brussels.

³⁰ Council Regulation (EEC) No. 214/79 of 6 February 1979 amending Regulation (EEC) No. 724/75 (OJ C 36, 9 February 1979)

Other changes included an enhanced role for regional development programmes, a widening in the scope of eligible infrastructure expenditure and some simplification of administrative and payments procedures. Lastly, from a policy development perspective, the Commission was given responsibility for preparing periodic reports on the social and economic situation of the regions of the Community, within which it could propose Community priorities and guidelines.

A second revision of the Community's regional policy in the mid-1980s introduced more substantial changes, notwithstanding the difficult context of the negotiations. The so-called Eurosclerosis years of the early 1980s witnessed serious disputes between the Member States over the Community budget and a general stalling of integrative moves in the Community. Within this difficult scenario, in October 1981, the Commission tabled a first set of proposals for regional policy reforms. These had to be revised two years later (in November 1983) due to difficulties in reaching agreement.

The regulations were ultimately agreed by the Council in June 1984 and introduced several important changes, primarily aimed at increasing the Community orientation of the policy.³¹

Firstly, financial allocations to the ERDF were increased (although the share of the EU budget remained relatively stable), and were distributed to Member States on the basis of a new system of indicative ranges, instead of fixed quotas. Secondly, and related, the Commission's discretionary power in the project selection process was enlarged. Thirdly, the scope of eligible expenditure was broadened, notably to include intangible investments. Lastly, the programme approach was reinforced by increasing the share of total funding to be channelled through programmes to 20 percent of the budget. This could take the form of Community Programmes (as was the case previously under the non-quota section) or National Programmes of Community Interest (initiated by the Member States to fund national regional aid schemes, infrastructure investment and operations to exploit endogenous potential for specific problem regions).

Following the approval of the new ERDF regulation, a particularly important development was the agreement in 1985 on the Integrated Mediterranean Programmes (IMPs), designed to compensate Mediterranean regions for the increased competition arising from the accession of Spain and Portugal.³² Drawing on the experiences of "integrated operations" supported by the EC in Belfast and Naples at the beginning of the decade, the IMPs further extended the multi-annual programming, integrated and participative approach to Community regional policy which the Commission and other EU institutions had been calling for.

Overall, the trend over the first half of the 1980s was clear. From a Member State controlled model, where the Commission's role was effectively restricted to that of a treasurer signing blank cheques, policy moved to one involving a more cooperative relationship between both levels and became more grounded on Community objectives, priorities and experimentation, at least for part of the Cohesion policy budget. More importantly, the regulatory reforms, along with the agreement on the IMPs, were to

³¹ Council Regulation (EEC) No. 1787/84 of 19 June 1984 (OJ L 169, 28 June 1984).

³² Council Regulation (EEC) No. 2088/85 of 23 July 1985 (OJ L 197, 27 July 1985). See, on the issue, De Witte B., (1990), *The Integrated Mediterranean Programmes in the context of Community Regional Policy*, EUI Law Working Paper, No 90/8, Florence.

provide lessons, if not a blueprint, for some of the principles which were to underpin the landmark reforms of 1988.

The 1988 reform: a new era for Cohesion policy

It is on this historical basis that the European Commission began to speak of a “new era” for the Community’s regional policy.³³ Under the leadership of its new president Jacques Delors, the importance attached to the policy by the Commission was immediately clear, with one bold objective in mind: to transform it from an essentially intergovernmental budgetary transfer to that of a genuine regional development tool with the potential to provide effective solutions to the problems faced by the Community’s regions. In delivering the Commission’s Programme for 1985 to the European Parliament, Delors put the issue bluntly:³⁴

“Over the past 15 years regional disparities within the Community have widened. The underdeveloped regions of the periphery of the industrial heart of Europe have been joined by a number of old industrial regions whose traditional economic base is in structural decline. But the two are fundamentally different. The Community’s Structural Funds should – provided, of course, that they have sufficient resources – make it possible for the Community to support structural conversion and adjustment projects in regions in difficulty. The Commission aims to reverse the trend toward treating these funds as a mere redistribution mechanism.”

The context and the times were favourable for change. In the words of Delors, “a new break in the clouds” had emerged, due to two inter-related factors. The first was the internal market programme, the lynchpin of Delors’ strategy for the re-launch of European integration following the “doldrums era.” The strengthening of cohesion was presented by the Commission as the *sine qua non* of this ambitious integration drive in recognition of the potentially damaging effects of the 1992 Programme on the more fragile economies of the Union. The message found intellectual support in two influential reports sponsored by the Commission, the Padoa-Schioppa and Cecchini Reports.³⁵

The second, closely related, facilitating factor was the Iberian enlargement. The accession of Spain and Portugal brought two much poorer members into the Community. Concerned about the competitive threat of the internal market to their economies, which already suffered from major regional (and national) development challenges, both countries had a strong case for demanding a revamped regional development policy, and were pivotal actors in altering the coalition of Community interests in favour of cohesion.

³³ Commission of the European Communities (1985), *Tenth Annual Report (ERDF)*, COM (85) 516, 1985, p. 14. Similarly, a year later, the *Eleventh Annual Report* indicated 1985 as “a turning point for the ERDF”, COM (86) 545, 1986, p. iii.

³⁴ Programme of the Commission for 1985, Bulletin of the European Communities, Supplement 4/85, at point 15.

³⁵ The first of these, for instance, highlighted the “serious risks of aggravated regional imbalance in the course of market liberalisation...” and the corresponding need for “...accompanying measures...to speed adjustment in structurally weak regions and countries.” Padoa-Schioppa T., *Efficiency, Stability and Equity: A Strategy for the Evolution of the Economic System of the European Community*, Oxford University Press, Oxford, 1987.

Against this background, the process of reforming the Community's regional policy progressed on the basis of three consecutive stages dealing with the legal basis for policy, its financing and the regulatory framework. The legal basis was addressed through the Single Act of 1985. The first major Treaty revision constitutionalised Cohesion policy by introducing the specific title of Economic and Social Cohesion. The policy objective was defined as promoting the “*overall harmonious development*” of the Community and “*strengthening economic and social cohesion*”, particularly by “*reducing disparities between the various regions and the backwardness of the least-favoured regions*” (Article 130a). The key policy instruments for delivering this objective were the three Structural Funds (the European Regional Development Fund, the European Agricultural Guidance and Guarantee Fund-Guidance Section and the European Social Fund), although it was also stated that the Member States' economic policies and other Community policies should also contribute in a coordinated fashion (Article 130b). The key task of the ERDF was also restated, namely, “*to redress the main regional imbalances in the Community through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions*” (Article 130c).

As to the operational method, the underlying approach was clearly spelled out. Speaking in front of the European Parliament, Delors indicated that:³⁶

“In the case of structural measures, there were respectable arguments for either of two concepts of what the Community should be doing. The first of these, a purely macroeconomic concept, relies on the virtues of the invisible hand operating through financial flows; as long as they are on a large enough scale, transfers of resources between Member States should bring about economic convergence. The second, both microeconomic and structural, looks to speed up the spread of innovation, eliminate bottlenecks and encourage efforts to derive the benefits of scale. In other words, it is a matter of keeping structural policies ‘close to the ground’. Encouraged by the success of the integrated Mediterranean programmes, the Commission came down in favour of the latter, a less extravagant and more effective course.”

Given these aims, and with the legal framework in place, the main budgetary elements and general regulatory guidelines of the new Cohesion policy were agreed under the Delors-I package deal of February 1988, in which the heads of government gave their approval to the key strategic decisions for implementing the Single European Act.³⁷ This provided the Structural Funds with a major cash injection and financial stability by doubling their budget over the 1989-1993 period.

The deal also set out the key regulatory elements of the reform, fleshed out in more detail in the package of regulations agreed in the latter half of 1988.³⁸ Four main principles were established to underpin policy implementation, heralding a new era in the governance of Cohesion policy and which continue to constitute its cornerstones:

³⁶ Address by Jacques Delors to the European Parliament on 18th February 1987, Bulletin of the European Communities Supplement 1/87 (OJ 18.02.1987, No 2-348, pp. 94-102).

³⁷ Commission of the European Communities (1987) *Commission Communication, The Single Act: a new frontier for Europe*, COM (87) 100 final, Brussels.

³⁸ The package of regulations were approved through Council Regulations (EEC) No. 4253/88 to 4256/88, of 19 December 1988 (OJ L374/31, 31 December 1988).

- *concentration*, on a series of 5 priority objectives, three of which were spatially restricted on the basis of Community-based eligibility criteria;³⁹
- *programming*, involving a shift from project assistance to supporting multi-annual programmes drawn up by the Member States in line with Community objectives and priorities and approved by the Commission;
- *partnership*, to formally require the involvement of relevant regional and local authorities in programme formulation and implementation;
- *additionality*, reconfirming the requirement to ensure that EU expenditure is not substituted for national expenditure.

The reform of Cohesion policy stimulated strong interest amongst European integration scholars who saw in the new governance arrangements, especially the partnership principle, emerging properties of broader significance for the Union as a polity.⁴⁰ The model was famously encapsulated by the term Multi-level Governance, emphasising the increasingly shared and interlinked nature of decision-making between Community, national and subnational actors, in contrast to state-centric accounts of policy-making.

The 1993 and 1999 reforms: fine-tuning, decentralisation and effectiveness

While 1988 is considered the watershed of the Union's regional policy, the two subsequent reforms have been more modest in scope, with the main focus on fine-tuning the new governing principles, particularly to improve policy effectiveness and decentralise responsibility to Member State authorities. The reforms must also be seen within the context of Treaty reform, deepening integration (through the completion of the internal market and progress with Economic and Monetary Union) and two enlargements

In 1993, the first set of reforms once again took place within the context of a major Treaty revision. After the completion of the internal market, the Maastricht Treaty (approved in February 1992) marked a new age in European integration by providing for the establishment of Economic and Monetary Union (EMU). It also reinforced the priority attached to economic and social cohesion by making it a core EU objective, on a par with the internal market and EMU. In this context, a new instrument, the Cohesion Fund, was introduced to co-finance infrastructure projects in the poorer Member States (Greece, Ireland, Spain and Portugal) and support them in fulfilling the EMU convergence criteria. In addition, the Maastricht Treaty required the Commission to publish a Cohesion Report every three years, to examine progress made towards

³⁹ Objective 1 (lagging regions) eligibility was based on regions having an average GDP per head less than 75 percent of the Community average; Objective 2 (industrial areas in decline) had three main eligibility criteria – unemployment rates, percentage of industrial employment and employment decline relative to Community averages; and Objective 5b (rural areas) eligibility used the designation criteria of levels of socio-economic development, agricultural employment and agricultural income.

⁴⁰ Marks G., (1992), *Structural Policy in the European Community*, in Sbragia A., (ed.) *Europolitics. Institutions and policymaking in the new European Community*, Brookings Institute, Washington DC; Marks G., (1993), *Structural Policy and Multilevel Governance in the EC*, in Cafruny A.W., and Rosenthal G.G., (eds.), *The State of the European Community*, Lynne Rienner, Boulder. Marks G., Hooghe L., and Blank K., (1996), *European Integration from the 1980s: State-Centric V. Multilevel Governance*, in *Journal of Common Market Studies*, Vol. 34, No.3, pp. 343-378; Hooghe L., (ed.) *Cohesion Policy and European Integration: Building Multilevel Governance*, Oxford University Press, Oxford.

achieving economic and social cohesion and presenting reform proposals (if deemed necessary).

The increased priority attached to cohesion in the Treaty was reflected in a substantial financial boost. Agreement on the Delors II package at the Edinburgh European Council in December 1992 led to a doubling of the resources allocated to Cohesion policy over the 1994-1999 period.⁴¹ Agreement on the regulatory package followed some six months later.⁴² As noted, the main principles were retained in place, but with several modifications.⁴³

First, regarding the policy architecture, the objectives were restructured. Following the accession of Sweden and Finland in 1995, a new Objective 6 was introduced to reflect the problems of sparse population. A new Financial Instrument for Fisheries Guidance (FIFG) was also created to assist in the restructuring of the fisheries sector. Second, spatial coverage increased from 42 percent of the Community population to 52 percent (most of the increase was due to the inclusion of the new German Lander), and a greater role was given to the Member States in the Objective 2 and 5b area selection process. Third, the programming process was streamlined by introducing the possibility of adopting a Single Programming Document (instead of a CSF and OP involving two decisions). Fourth, the scope of the partnership principle was broadened by specifying a role for economic and social partners in the regulation, within the framework of domestic practice.

The next reform took place in 1999 to cover the 2000-2006 programming period. Again, the changes need to be set in context. On one hand, the reforms were developed and agreed during enlargement negotiations, although exactly when and how many of the new Member States were to join was uncertain at the time. The economic climate was also harsh, with an increasing preoccupation with unemployment, as reflected in the addition of a new title on employment in the Treaty of Amsterdam in 1997, and strong fiscal consolidation pressures across the EU, partly associated with the introduction of the Euro. These difficult economic conditions largely explain why, different from previous reforms, the share of funding allocated to Cohesion policy for the 2000-2006 period remained stable. The agreement was reached during the Berlin European Council of March 1999, allocating €13 billion to Cohesion policy, €9.6 billion of which was accounted for by post accession assistance.

The regulations were subsequently approved by the Council between May and July 1999.⁴⁴ In line with the Commission's Agenda 2000 communication, four main aims underpinned the reforms. The first was to increase the concentration of support. This led

⁴¹ Commission of the European Communities (2000) *From the Single Act to Maastricht and beyond: the means to match our ambitions*, COM (92) 2000 final, Brussels.

⁴² The package of six regulations were approved through Council Regulation (EEC) No's 2080/93 to 2085/93, of 20 July 1993 (OJL 193, 31 July 1993)

⁴³ For a more detailed review, see: See Bachtler J., and Michie R., (1993), *Strengthening Economic and Social Cohesion? The Revision of the Structural Funds*, in *Regional Studies*, 27(8), pp.719-25.

⁴⁴ Council Regulation (EC) No 1263/1999 of 21 June 1999; Council Regulation (EC) No 1257/1999 of 17 May 1999; Council Regulation (EC) No 1260/1999 of 21 June 1999; Regulation (EC) No 1783/1999 of the European Parliament and of the Council of 12 July 1999; Regulation (EC) No 1784/1999 of the European Parliament and of the Council of 12 July 1999 (OJ L213, 13 August 1999).

to a reduction in the number of priority Objectives (from seven to three) and in the proportion of the Community population eligible for support under the two territorial Objectives 1 and 2 (from 51.3 percent to 40.7 percent of the Community population). Responding to Member State criticisms, there was also a reduction in the number of Community Initiatives from thirteen to four (INTERREG, EQUAL, LEADER AND URBAN) and a corresponding cut in their budgetary allocation (to 5.35 percent of total resources). Increased thematic concentration was also sought in the mainstream programmes. Commission guidelines were published to steer Member State priorities for Structural Funds intervention during the programming process, while, in line with the Treaty of Amsterdam, the European Social Fund was increasingly tied to the European employment strategy.

A second aim was to decentralise implementation to Member State-level by assigning them the core responsibility for programme content, management, monitoring, evaluation and control. Specific rules defined the responsibilities of the Member States, notably through the requirement to designate a Managing Authority for each programme. The role of the Monitoring Committee was also more clearly defined and its powers were enhanced, while the Commission would only participate in the meetings on an advisory capacity. In terms of the partnership principle, the general definition remained unchanged, although there was a clearer commitment to the involvement of environmental and gender equality organisations.

The third aim was to simplify programming and implementation, principally by making the required content of programmes less detailed. The focus would be on Priority axes, while Measure-level detail (covering groups of interventions and their corresponding financial allocations, performance indicators and beneficiaries) would be developed at a later stage in a Programme Complement after the programmes were approved. In addition, the simplified Single Programming Document (SPD) was to be further mainstreamed, restricting the CSF and OP format to larger Objective 1 programmes.

Finally, in return for decentralisation and simplification, the regulations introduced a number of changes designed to reinforce the effectiveness and control of expenditure, subsumed within a new principle on efficiency. First, the monitoring and reporting requirements were made more prescriptive. Second, evaluation was reinforced by requiring comprehensive *ex-ante* evaluation, mid-term evaluation and a subsequent update. Third, a 'performance reserve' was created whereby four percent of programme allocations to Member States would be held back and awarded at the mid-point of the programme period on the basis of financial, management and effectiveness performance criteria. Last, financial management and control was made more rigorous through the introduction of the so-called n+2 rule requiring committed funding to be spent within two years and through stronger audit and control requirements, as well as a stricter enforcement by the Commission of its supervisory responsibilities during the programming period.⁴⁵

⁴⁵ Davies S., Gross F., and Polverari L., (2008), *The Financial Management, Control and Audit of EU Cohesion Policy: Contrasting Views on Challenges, Idiosyncrasies and the Way Ahead*, in *IQ-Net Thematic Paper*, 23(2), University of Strathclyde, Glasgow.

The 2007-2013 reform: the strategic turn

The most recent reform of Cohesion policy for the 2007-2013 period must be viewed within the context of a mix of political, economic and financial considerations, which had profound implications for the shape and content of policy.⁴⁶ The most important development was the EU's enlargement in 2004 to incorporate 10 new Member States with significantly lower levels of income. The new map of increased regional disparities in the EU was to be further amplified by the accession of Romania and Bulgaria, anticipated for the beginning of 2006. One inevitable and politically sensitive consequence was a budgetary shift in Cohesion policy resources from the EU15 towards the new Member States.

Another important contextual factor was the increasing importance being attached to the EU's growth and jobs agenda. The Lisbon strategy was formally launched in 2000, but the lacklustre performance of the EU economy and the difficulties in implementing the programme soon became evident. The Kok report, commissioned by the European Council, renounced the state of progress and prompted the re-launch of the so-called "growth and jobs" strategy.⁴⁷ An independent report led by Andre Sapir and commissioned by Prodi added controversy to the debate by calling for a major refocusing of EU expenditure to better reflect EU priorities for growth and jobs.⁴⁸ Apart from proposing the elimination of the CAP, it called for radical reform of Cohesion policy by replacing the existing system with two new funds: a Convergence Fund to support institution building and human and physical capital in low-income countries (essentially the EU12); and a Restructuring Fund to support economic restructuring across the whole of the EU. On a similar note, some Member States – especially the Netherlands and UK – made proposals to restrict Cohesion policy support to the less developed Member States.

⁴⁶ For a detailed review of the context, debate, negotiations and final agreement on the 2006 reform see: Bachtler J and Wishlade F (2004), *Searching for Consensus: The Debate on Reforming EU Cohesion Policy*, in *European Policy Research Papers*, No 55, European Policies Research Centre, University of Strathclyde, Glasgow; Bachtler J and Wishlade F (2005), *From Building Blocks to Negotiating Boxes: The Reform of EU Cohesion Policy*, in *European Policy Research Papers*, No. 57, European Policies Research Centre, University of Strathclyde, Glasgow. Bachtler J, Wishlade F and Mendez C (2007), *New Budget, New Regulations, New Strategies: The 2006 Reform of EU Cohesion Policy*, in *European Policy Research Papers*, No. 63, European Policies Research Centre, University of Strathclyde, Glasgow.

⁴⁷ *Facing the challenge, the Lisbon strategy for growth and employment*, Report from the High Level Group chaired by Wim Kok, November 2004.

⁴⁸ Sapir A. *et al.* (2004), *op.cit.*

After a long process of reflection and debate, the Commission submitted its reform proposals for EU Cohesion policy and the broader EU budget in early 2004. Two years of protracted negotiation culminated in the European Council agreement on the EU budget in December 2005 under the UK's presidency, determining the main financial parameters of Cohesion policy funding and its distribution across objectives and Member States. Following the inter-institutional agreement in April 2006, the overall amount of resources available for Cohesion policy over the 2007-13 period was set at €347 billion, representing 35.7 percent of the EU budget. The regulatory package was approved in July 2006, embodying the most radical reform of the policy since 1988.⁴⁹ A key aim was to introduce a more strategic approach for targeting EU priorities, centred on the Lisbon strategy and involving a new planning framework. Strategic EU objectives for Cohesion policy were identified in Community Strategic Guidelines (CSG), while the Member States set out national objectives and a strategy in line with the CSG in a National Strategic Reference Framework (NSRF). Together, these two documents provided the basis for the design of the operational programmes. A "Lisbon earmarking" instrument was also introduced, whereby Member States agree to focus the available resources on specific categories of expenditure directly related to Lisbon themes.

Under the new architecture for EU Cohesion policy, the previous Objectives 1, 2 and 3 were replaced by three new Objectives: Convergence, Regional Competitiveness and Employment and Territorial Cooperation. Most resources were targeted on the Convergence Objective (80 percent, including the Cohesion Fund), the majority of which continued to focus on less-developed regions with a GDP per head of less than 75 percent of the EU average.

Community Initiatives and innovative actions were discontinued, apart from Interreg which would be subsumed within the new Territorial Cooperation Objective. The previous instruments linked to rural development and fisheries (EARDF-Guidance and FIFG) were integrated into the CAP. Three new financial instruments were introduced into the Cohesion policy framework in cooperation with the European Investment Bank Group and other multilateral banks. Jessica and Jeremie aim to support regional authorities in introducing private and public funds for venture capital and urban regeneration purposes, while Jaspers is designed to help local administration to better define investment projects.

The main change in the area designation system concerns the Regional Competitiveness and Employment Objective, with all regions outside the Convergence Objective now eligible for support and full autonomy granted to the Member States to decide which regions are to be included at NUTS I or II level.

⁴⁹ Council Regulation (EC) 1083/2006 of 11 July 2006; Council Regulation (EC) No 1084/2006 of 11 July 2006; Regulation (EC) No 1080/2006 of the European Parliament and of the Council of 5 July 2006; Regulation (EC) No 1081/2006 of the European Parliament and of the Council of 5 July 2006; Regulation (EC) No 1082/2006 of the European Parliament and of the Council of 5 July 2006 (OJ L210, 31 July 2006).

Another aim of the reform was to further simplify and decentralise the process of programming and implementation. In terms of programming, the Community Support Framework and Programme Complements were discontinued, while the mono-fund (ERDF or ESF) Operational Programmes have become more focused on priorities in terms of programming and financial management. Also, the Cohesion Fund was integrated into programming, in order to avoid duplications and strengthen its effectiveness. In the domain of evaluation, the intention is to introduce a more results-oriented approach with increased flexibility for the Member States.⁵⁰ The main change is that programme mid-term evaluations have become optional. Instead, ongoing needs-based evaluations should be undertaken to assess programme implementation and react to changes in the external environment. The performance reserve has also become optional.

Lastly, greater obligations on Member States have been introduced in relation to audit and control, including the requirement to designate an Audit Authority with responsibility for undertaking a compliance assessment of the management and control system, presenting an Audit Strategy to the Commission and submitting an annual control report and opinion. Some simplification has also been introduced, notably the reduction in control obligations in programmes below €750 million, the right to partial closure of programmes and the application of domestic eligibility rules.

ON THE SCALE, SCOPE AND DIRECTION OF CHANGE

This historical review has demonstrated that Cohesion policy has undergone a radical transformation over time, arguably more so than in any other EU expenditure policy. The key dimensions of this transformation can be categorised according to a series of constitutional, financial, strategic and operational dimensions.

Virtually absent in the Treaty of Rome, Cohesion policy sits today on a comfortable constitutional setting. Economic and Social Cohesion was first introduced into the Treaty in the Single European Act of 1986. It was reconfirmed as a central objective of the European Union, alongside EMU and the internal market, in the Maastricht Treaty revision of 1993. More recently, the Lisbon Treaty, which has yet to be ratified by all Member States, added a “territorial” dimension to economic and social cohesion, providing the basis for a potential enlargement of the policy’s scope to address broader spatial issues, although the precise implications remain contested.⁵¹

⁵⁰ For a review, see: Polverari L., Mendez C., Gross F., and Bachtler J., (2007), *Making Sense of European Cohesion Policy: 2007-13 Ongoing Evaluation and Monitoring Arrangements*, in *IQ-Net Thematic Paper*, No.21(2), University of Strathclyde, Glasgow.

⁵¹ Mirwaldt K., McMaster I. and Bachtler J. (2009), *Reconsidering Cohesion Policy: The Contested Debate on Territorial Cohesion*, in *European Policy Research Papers*, No. 66, European Policies Research Centre, University of Strathclyde, Glasgow.

The changes in the constitutional basis of policy have been matched by a progressive increase in its financial resources. Since the creation of the ERDF in 1975, the budget for cohesion has increased steadily, from a mere 5 percent to around 36 percent of the EU budget over the present 2007-2013 period. Although low as a percentage of total EU GDP, cohesion funding represents an important share of economic development resources in the poorer Member States and regions of the EU. For instance, it is estimated that Cohesion policy allocations over the 2000-2006 period represented as much as 60 percent of total public capital expenditure in Portugal (48 percent in Greece and 24 percent in Spain).⁵²

The modifications to Cohesion policy have been equally far reaching from a strategic and operational perspective. Over time there has been a progressive transformation from an, essentially, redistributive mechanism strongly linked to Member State preferences into a genuine regional development policy, based on EU-wide objectives and priorities and delivered through an innovative implementation system entailing cooperative mechanisms among supranational, national and regional administrations.

For much of the policy's history, there has been no overarching European strategy guiding its operation. Various periodic reports and guidelines were produced by the Commission to provide assessment and guidance to policy, but it is only in the last two reforms (1999 and 2006) that there has been a progressive embedding of Cohesion policy within the EU's general strategy for economic and social development, namely the European Employment Strategy and, subsequently, the Lisbon agenda. Related to this, a role for the Council of Ministers has been established for the first time in the implementation of Cohesion policy, through the provisions for strategic reporting on the contribution of Cohesion policy to EU objectives during the 2007-2013 period.

As result of this strategic shift, the competitiveness and efficiency aspects of the policy have assumed a heightened importance in recent years, at least in policy debates, discourse and documents. Yet in the minds of many, not least the Commission, the solidarity and redistributive rationale of policy remains a central feature, particularly in terms of geographical eligibility and the financial intensity of support. In this context, fundamental changes have also been seen, over time, in the approach to area designation - in many senses the defining feature of a regional policy.⁵³ Since the 1988 reforms, the majority of resources have been targeted on the most disadvantaged European regions, determined on the basis of EU criteria and averages. Before this, all resources were transferred to Member States to spend on projects within their own domestically-defined priority areas. Outside the less developed regions, however, geographical zoning requirements introduced in 1988, and fine-tuned in the next two reforms, have been removed for the current period by devolving decisions on the spatial allocation of funding under the Regional Competitiveness and Employment Objective to the Member States.

⁵² European Commission (2007) Fourth Report on Economic and Social Cohesion, Office for Official Publications of the European Communities, Luxembourg, p143

⁵³ Bachtler J., and Mendez C., (2007), *Who governs EU Cohesion policy? Deconstructing the reforms of the Structural Funds*, in *Journal of Common Market Studies*, Vol. 45, No. 3, pp. 535-564.

Turning to the policy's implementation system, a core innovation introduced in the watershed reforms of 1988 was the setting up of a unique multilevel governance model, involving the collective participation of vertical partners (Community, national, regional and local authorities) and horizontal stakeholders (business representatives, trade unions, NGOs, etc) in the design and delivery of programmes according to a common set of organisational and functional criteria and rules. While organisational and functional systems for designing and delivering EU-funded development programmes differ greatly (mainly reflecting institutional and cultural differences among and within the Member States), the implementation requirements have nonetheless generated strong convergent pressures, through concepts such as multi-annual integrated planning, partnership, monitoring and evaluation, best practice, etc, all of which now have a common meaning in the vocabulary of regional policy practitioners and analysts.

In this respect, a variety of committees, networks, guidelines and animation activities ensure continuous interaction among the different levels, resulting in a closely-interlinked arena of EU and national bodies and of public, private and societal actors. This has contributed to the development of a polycentric, trans-national administration sharing similar policy beliefs, acting through bodies organised along the same lines, following the same procedures and speaking the same technical language. In recent years, moreover, the policy has "gone global" by initiating structured dialogues with non-EU countries (e.g. Brazil, China and Russia) and other international organisations (e.g. MERCOSUR).

From this evolutionary perspective, it can be seen that the policy has become much more than a mere exercise in redistributing funds from rich Member States to poorer ones, although this is still a fair characterisation of some of the financial decisions during the big budgetary deals. It has, moreover, developed into a powerful regional development instrument in its own right with the potential to steer resources towards EU objectives and to improve administrative practices and culture across Europe.

The approach has not been without its problems. A recurrent issue, illustrated clearly in the previous section, has been the desire to improve the effectiveness of the governance arrangements by seeking an optimum balance between EU conditionality, to steer the use of the funds towards EU objectives, and subsidiarity, to allow flexibility in the use of funds at the most effective level. This in turn has impacted on the evolving relationship between the Commission and the Member States and the substantive requirement of the policy.⁵⁴ For instance, the 1993 reforms (for the 1994-1999 period) saw the Commission assume a much stronger and pro-active role in negotiating the plans and operational programmes, backed up by strengthened regulatory conditionalities on the use of the funds.⁵⁵ In the next reform covering the 2000-2006 period, the responsibility for key elements of programme design and delivery were, to an extent, devolved to the Member States, while the Commission extended its influence to the monitoring, evaluation and

⁵⁴ A more detailed overview of the key substantive changes is provided in the Annex to this paper.

⁵⁵ On this point see the critique by Bachtler J. and Mendez C. (2007) of the renationalisation thesis put forward by Pollack M., (1995), *Regional Actors in an Intergovernmental Play: The Making and Implementation of EC Structural Policy*, in Rhodes, C. and Mazey, S., (eds.), *The state of the European Union*, Vol.3, Longman, Harlow; and supported, amongst others, by: Allen D., (1996), *Cohesion and Structural Adjustment*, in Wallace H and Wallace W., (eds.), *Policy-Making in the European Union*, Third Edition, Oxford University Press, Oxford; Bache I., (1998), *The Politics of European Union Regional Policy: Multi-level Governance or Flexible Gatekeeping*, Sheffield Academic Press, Sheffield.

control of outputs, again with stronger regulatory requirements in these fields. This trend has continued in the 2007-13 period, where the Commission has become less involved in the substantive content of policy, shifting its focus to issues of audit and control as well as more strategic issues, although with a mixed record of success.

This review of the evolution of the key dimensions of Cohesion policy throws up some important questions. For example, how was it possible for the policy to have changed so radically over time? And on what basis was it able to overcome the limitations (and opportunities) arising from Member State preferences?

THE KEY EXPLANATORY FACTORS OF CHANGE

The answers to the above questions reside in a broad array of factors. These include: internal policy dynamics, such as policy learning or path dependence; external events and processes, notably, evolving economic conditions, devolution and decentralisation trends and, within the context of EU integration, successive enlargements and market unification; the role and influence of actor coalitions and interests in shaping policy and budgetary outcomes, primarily the Commission and the Member States, but also other EU institutions, sub-national governments and a range interest groups.

A key factor underpinning successive policy reforms relates to developments in the broader Community system, particularly the widening and deepening of European integration, although often tied to redistributive bargaining over the EU budget.

Successive EU enlargements have had a profound impact on the timing and nature of Cohesion policy reform. It was the entry of Ireland and the UK which prompted the creation of the ERDF in the first place, largely as a bargaining instrument to address the low returns from the EU budget to the UK, but also to set up a development tool for addressing the predominantly industrial development challenges faced by its regions.

Similar dynamics were evident in subsequent enlargements. In view of concerns over the competitive threat to the Mediterranean regions of France, Greece and Italy, the accession negotiations with Portugal and Spain in the mid-1980s provided the basis for the adoption of the Integrated Mediterranean Programmes and had a decisive impact on the major reform of 1988, which required a major financial upgrading to cope with the much greater scale and severity of regional disparities in the Union. The next accession of Austria, Sweden and Finland in 1995 led to the creation of a new objective targeting regional problems particularly relevant to the latter two of those countries, namely, sparse population. Finally, the latest “big-bang” enlargement of 2004 had a strong impact on the terms of the debate of the 2006 reforms from very early on in the process. This related especially to questions of budgetary redistribution, but also to issues of policy substance (e.g. the importance placed on institution and capacity building) and process (e.g. financial management considerations, such as a more flexible decommitment rule).

With regard to the deepening of integration, Cohesion policy has been closely tied to the EU’s two flagship economic projects - Economic and Monetary Union and the internal market. Indeed, the very first Council commitment to the creation of a regional development fund in the early 1970’s made an explicit link with EMU, although the latter did not really take off. When EMU was firmly back on the agenda at the Maastricht Inter-Governmental Conference of 1992, it was agreed to set up a Cohesion Fund as a compensatory policy for the poorest Member States with a view to easing the budget rigidities associated with complying with their EMU convergence programmes.

A similar relationship can be seen with the process of market integration. In particular, the internal market programme was presented by its chief advocate, Jacques Delors, as necessitating a strengthened Cohesion policy to address the potentially negative consequences for the poorer economies of the Union - an argument which was actively employed by these countries in the issue-linkage politics of the budget negotiations over the Structural Funds - and as a vehicle to further the legitimacy of the European project amongst its citizens.⁵⁶ In this respect, and whether one is referring to the deepening or widening of integration, ideas of fairness and the pursuit of solidarity amongst EU Member States, regions and citizens have been consistently held up by defenders of the policy as a core justifying feature of its rationale from its creation through to each of the subsequent turning points.

Other ideas which have had an important bearing on the development of Cohesion policy include evolving thinking about the role of public intervention and the changing paradigm of regional policy. At an abstract level, the role of Cohesion policy must be seen within the context of a much broader debate concerning the relationship between the State and the market, with Cohesion policy representing an example of so-called “regulated capitalism” through its role in redistributing resources, pursuing social-market economy priorities and shaping partnerships among public, private and societal actors.⁵⁷ For instance, it is argued that Delors’ advocacy of cohesion was part of his “state-building strategy”⁵⁸ to further a federalist and social vision for Europe and to counter-balance the liberal market philosophy underpinning economic integration.⁵⁹

Secondly, Cohesion policy has responded to, and sometimes led, changes associated with the paradigm of regional policy. Initiated when the “poles of development” concept was in vogue, the policy has subsequently developed under other currents of economic thinking and socio-political change, such as bottom-up development, indigenous growth, the “New Economic Geography”, regionalisation, multi-level governance, the knowledge economy, place-based or territorial development, etc. Throughout the policy’s history, these various approaches, concepts and trends have had an important impact on the evolution and the design of the policy, in maintaining political attention to regional and territorial issues, in providing a platform for discussion and debate for a trans-national regional policy Community, and in fostering the legitimisation of Cohesion policy.

Another key vector of change has been policy experimentation and learning from earlier periods. Although the 1988 reforms marked a distinctive and radical turning point, some of the key qualitative changes were grounded in earlier experiences, mainly driven by Commission efforts to add value to the Member States conservative approaches to regional policy and to develop a distinctive Community method. A good example is the creation of the ERDF non-quota section in 1979, which provided the Commission with a

⁵⁶ Programme of the Commission for 1989, address by Jacques Delors, President of the Commission to the European Parliament and his reply to the debate, Strasbourg, 16 February and 15 March 1989, p8

⁵⁷ Hooghe L., (1998), *EU Cohesion Policy and Competing Models of European Capitalism*, in *Journal of Common Market Studies*, Vol. 36, No. 4, pp. 457-477.

⁵⁸ Ross G., (1995), *Jacques Delors and European Integration*, Polity press, Cambridge.

⁵⁹ Grant C., (1994), *Inside the House that Jacques Built*, Nicholas Brealey Publishing, London; Ross G (1995) *op.cit.*; Hooghe L., (ed.), *Cohesion Policy and European Integration: Building Multilevel Governance*, Oxford University Press, Oxford; Hooghe L., (1998), *Territorial Politics in Europe: A Zero-Sum Game?*, in *Robert Schuman Centre Working Papers*, No.98/41, Robert Schuman Centre, European University Institute, Florence.

policy space to experiment with programmes (instead of projects) and ‘integrated operations’ combining various sources of Community financing and allowing for direct interaction with sub-national authorities. These initiatives, along with the Integrated Mediterranean Programmes agreed in 1985, were very much the building blocks of the implementation system which was institutionalised in 1988, and which remains in force today.

Closely related to all of the above factors, an understanding of the evolution of EU Cohesion policy must take into account the roles of the key actors and their diverse interests in setting the agenda and engineering policy change. Armed with its monopoly power of legislative initiative, the Commission has been a central force in pushing for the creation of a well-resourced Community regional policy based on supranational objectives and priorities (largely supported by the European Parliament), in designing regulatory proposals for reform and in brokering agreements between Member States. An important element in this respect has been the pro-activity of individual Commissioners as well as the backing from the Presidency - the Delors period representing the most evident examples of this.⁶⁰

The pre-eminent position of the Member States must not be overlooked, given their role in negotiating policy outcomes. Ultimately, it is the Council of Ministers that decides on the financial allocations and regulations, sometimes involving significant changes to elements of the Commission’s proposals.⁶¹ However, while Member States negotiating priorities tend to be quite logically anchored in national considerations and interests, the diversity of interests regarding Cohesion policy and the unanimity-based decision-making system has meant that those countries most interested in sustaining the core features of the policy model established in 1988 have been able to resist attempts at renationalisation in recent years.

The pressure exerted by regional level actors has also been important, given their generally supportive advocacy of Cohesion policy. Although largely absent from the policy process initially, the regional level has, since the late 1980’s, become an increasingly important player in the implementation of Cohesion policy across most Member States. Partly as a result, regional (and local) governments and actors have increasingly taken more interest in interacting with their national counterparts in the debates over Cohesion policy reform as well as with the Commission through a range of lobbying and networking activities at EU level, which has contributed to the proliferation of regional offices in Brussels and the institutionalisation of the Committee of Regions. Similarly, a multitude of other interest groups (e.g. trade unions, environmental groups, etc.) have been mobilised into pushing their own agendas and interests into the Cohesion policy process, although it is unclear whether they have had any significant influence over the design of policy.

⁶⁰ Brennan P., (2008), *Behind Closed Doors: The EU Negotiations that Shaped Modern Ireland*, Blackhall Publishing, Dublin.

⁶¹ For an analysis of changes to the regulations during the negotiations over successive reforms see: Wozniak-Boyle J., (2006), *Conditional Leadership: The European Commission and European Regional Policy Conditional Leadership: The European Commission and European Regional Policy*, Lexington Books.

Annex: The core strategic and operational features of EU Cohesion policy over time

1. The planning framework – strategic level							
Period	1975-1978	1979-1983	1984-1987	1989-1993	1994-1999	2000-2006	2007-2013
Trend Evolution from a policy grounded exclusively on domestic strategies to one that is more firmly aligned with EU strategies/objectives	No EU-level strategy	No EU-level strategy	No EU-level strategy	COM indicative guidelines	COM indicative guidelines	COM indicative guidelines	Community Strategic Guidelines (proposed by COM and adopted by Council)
	MS submit Regional Development Programmes on domestic regional policy to Commission for coordination purposes.	Regional Development Programmes with strengthening of analytical content.	Regional Development Programmes with strengthened procedures for coordination and greater involvement of local authorities	MS draft Regional Development Plans as the basis for negotiation of CSFs with the COM	Regional Development Plans and CSF mainly restricted to Objective 1	Regional development plans and CSF restricted to Objective 1	All MS define National Strategic Reference Frameworks Obj 1 CSF discontinued
2. The planning framework – operational level							
Trend Gradual shift from project assistance to programming through the 1980s and the mainstreaming of programming in 1988. Responsibility for programme content increasingly devolved to MS in 2000-6 and 2007-13	Project applications by MS, approved by Managing Committee (COM and MS)	Project applications by MS, approved by Managing Committee (COM and MS)	Project applications by MS, approved by Managing Committee (COM and MS)	Programming mainstreamed through three-stage system: 1) MS submit Regional Development Plans 2) negotiated with COM into CSFs 3) delivered through operational programmes (and global grants and large projects)	Programming procedure simplified to two stages: 1) Regional Development Plans and forms of assistance 2) negotiated with COM into Single Programming Documents. CSF/OPs continued for large Obj 1 programmes mainly	Programming content simplified and responsibility decentralised OPs/SPDS mainly outline priority axis level information (plus summary of measures). Detailed Measure-level information transferred to Programme Complement (PC) under MS responsibility	Programming content simplified, more strategic and decentralised CSF/SPD/PC eliminated OP becomes the key management instrument. Still negotiated with COM, but focus on priority axis
		COM experimentation with programming under the “non-quota” section (5% of resources)	Programming to account for 20% of resources by end of period, consisting of: National Programs of Community interest introduced (initiated by MS, approved by COM) and Community Programmes (see below)				
3. The planning framework – Community interventions with a stronger Commission role							
Trend Community Initiatives were absent initially, but gradually took on more importance, culminating with their mainstreaming into the core programmes in 2007-13 and the elimination of innovative actions programmes	No direct role for the Commission in deciding or managing initiatives	Small share of resources for COM to lead Community regional development initiatives (“non quota” section).	Community Programs by COM reinforced. Decided via qualified majority vote	13 Community Initiatives set up, with an allocation of 15% of ERDF resources COM Pilot actions (e.g. Regional Technology Plan)	Community Initiatives with stronger MS oversight role . Regional Innovation Strategies/Regional Information Society Initiatives	Community Initiatives reduced to 4 and to 5% of total funding Regional Programmes of Innovative Actions	Community Initiatives mainstreamed into OPs, Interreg consolidated as a separate objective

4. The area designation system							
Period	1975-1978	1979-1983	1984-1987	1989-1993	1994-1999	2000-2006	2007-2013
<p>Trend</p> <p>Geographical eligibility was initially determined on the basis of national area designation approaches</p> <p>A common EU-wide approach, largely on the basis of EU statistical criteria, was set up in 1988.</p> <p>Decision-making authority over RCE eligibility has been devolved to the Member States in 2007-2013.</p>	MS responsibility in accordance with national regimes for regional aid.	MS responsibility in accordance with national regimes for regional aid.	MS responsibility in accordance with national regimes for regional aid.	Adoption of common Community criteria based on economic statistics.	Some increased responsibility for MS in Obj2/5b selection process		Responsibility devolved to MS to select areas under the RCE Objective.
		Non-quota section allows Commission freedom to intervene outside the assisted areas of MS	COM Community programmes continue outside MS assisted areas	Obj 1: NUTS level II with GDP per-capita below 75% of EC average.	Obj 1: unchanged	Obj 1: incorporation of Obj 6 (based on population density)	Obj 1: same as Obj 1, but includes outermost regions
			List decided by Council (addition of areas outside eligible threshold)	List decided by Council (addition of areas outside eligible threshold)	List decided by Council (addition of areas outside eligible threshold)	List decided by Council (addition of areas outside eligible threshold)	List decided by Council (addition of areas outside eligible threshold)
			Obj 2: NUTS III on the basis of unemployment, share of industrial employment and decline, relative to the Community average.	Obj 2: similar criteria	Obj 2: merged with Obj 5 and similar criteria used	Obj 2: merged with Obj 5 and similar criteria used	Regional Competitiveness and Employment: all areas eligible outside Convergence regions. Selected by MS
			Obj 5b: socio-economic development, agricultural employment and income	Obj 5b: as before, plus low population density and/or a significant depopulation trend			
			List of areas established by COM.	Obj2/5b initial list of areas submitted by the MS and finalised by the COM.			Territorial cooperation: Territorial criteria at NUTS III (cross-border) or all NUTS II regions (trans-national)
			Community Initiatives: apply across the EU according to territorial and thematic/sectoral criteria	Community Initiatives: apply across the EU according to territorial and thematic/sectoral criteria	Community Initiatives: apply across the whole EU according to territorial and thematic/sectoral criteria	Community Initiatives: apply across the whole EU according to territorial and thematic/sectoral criteria	

5. Monitoring , reporting and evaluation							
Period	1975-1978	1979-1983	1984-1987	1989-1993	1994-1999	2000-2006	2007-2013
<p>Trend</p> <p>The monitoring and evaluation of policy was initially unsystematic and unstructured.</p> <p>Between 1988 and 2006, the regulatory requirements have been progressively tightened and clarified.</p>	<p>Project data required in applications (including on employment)</p> <p>Regional Policy Committee (including MS and COM representation)</p>	<p>Project data required in applications (including on employment)</p> <p>Regional Policy Committee</p>	<p>Project data required in applications (including on employment)</p> <p>Regional Policy Committee. Monitoring Committee set up for IMPs in MS/regions</p>	<p>Financial and physical indicators in OPs</p> <p>Monitoring Committees set up in MS/regions</p> <p>Annual progress reports and final reports</p>	<p>Financial and physical indicators in OPs</p> <p>Monitoring Committee</p> <p>Annual progress reports and final reports</p>	<p>More detail on indicators required and fields of intervention specified</p> <p>Monitoring Committee (COM as observer)</p> <p>Annual progress reports (more detailed/prescriptive) and final reports</p>	<p>Indicator targets at priority level only and new intervention categories</p> <p>Monitoring Committee (COM as observer)</p> <p>Annual progress reports (focus on priority level) and final reports</p>
<p>A more flexible needs-based approach was introduced for 2007-13, especially with the optional provisions for mid-term evaluation and the performance reserve</p>							<p>Strategic reporting to Council in 2009 and 2011</p>
<p>Strategic reporting to Council introduced in 2007-2013</p>		<p>COM assessment through periodic reports</p>	<p>COM assessment through periodic reports</p>	<p>Ex-ante and ex-post evaluation (mainly by COM)</p>	<p>Ex-ante (by MS) mid-term (by MS, optional) Ex-post (by COM) evaluation</p>	<p>Ex-ante, mid-term (by MS, compulsory) and ex-post (by COM) evaluation</p> <p>Performance reserve (compulsory)</p>	<p>Ex-ante (by MS), ongoing (optional) and ex-post evaluation</p> <p>Performance and contingency reserve (optional)</p>

The regional policy of the European Union (also known as cohesion policy) has the stated aim of improving the economic well-being of regions in the EU and avoiding regional disparities. Regional policy targets all regions and cities in the European Union in order to support job creation, business competitiveness, economic growth, sustainable development, and improve citizens' quality of life.

Scope of the measure – Regional policy has strong impacts in many fields. Its investments help to deliver many EU policy objectives and complement EU policies such as those dealing with employment, energy, the environment, the single market, research and innovation, education and culture. For details on culture spending see the section on financial resources allocated.

Your Bibliography:
European Commission, 2009. *The Turning Points Of EU Cohesion Policy. An Agenda for a reformed Cohesion Policy.* [online] Available at: [Accessed 12 January 2016]. Govt. publication. European Council. COUNCIL REGULATION (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999. 2006. – *Structure and Process, Politics and Policy: Administrative Arrangements and the Political Control of Agencies.* Virginia Law Review, 75(2), p.431. Journal.

Since 1988, when the current EU Cohesion Policy was introduced, it has played an influential role in setting priorities for policies aimed at dealing with the effects of European economic integration on regional and social disparities. Although, latterly, the amount of money spent in the UK through the European Structural and Investment Funds (ESIF) has declined, EU programmes have had a disproportionate effect on the design and implementation of UK policies shaping regional and local economic and social development. EU cohesion policy represents a particularly interesting case in this sense. This re-distributive policy, regulated by the Community method, now holds the biggest share of the Community budget, and until the reform 2006 its major goal was to reduce disparities in socio-economic development between EU regions and States. With the beginning of the new programming period (2007-2013), this policy has been defined as strategic for the EU to become the most competitive and dynamic knowledge based economy in the world, and the Lisbon objectives have been extensively integrated into the new regulation.

The regional policy of the European Union (EU), also referred as Cohesion Policy, is a policy with the stated aim of improving the economic well-being of regions in the European Union and also to avoid regional disparities. More than one third of the EU's budget is devoted to this policy, which aims to remove economic, social and territorial disparities across the EU, restructure declining industrial areas and diversify rural areas which have declining agriculture. In doing so, EU regional policy is

These proposals are to adapt EU cohesion policy to new challenges in the context of the European Social Fund, one of the two Structural Funds, remains an important part of cohesion policy; the proposal on the ESF+ (Regulation of the European Parliament and of the Council on the European Social Fund Plus (ESF+), COM(2018) 382, 2018/0206 (COD)) falls under the responsibility of the Committee on Employment and Social Affairs. On 6 October 2011, the European Commission adopted a draft legislative package that will frame EU cohesion policy for the period 2014-2020. The Commission proposed a number of important changes to the way cohesion policy is designed and implemented, namely: concentrating on the Europe 2020 Strategy's priorities of smart, sustainable and inclusive growth; rewarding performance; supporting integrated programming; focusing on results – monitoring progress towards agreed objectives; reinforcing territorial cohesion; and simplifying delivery. This follows the adoption by the Commission in 2010 of the new cohesion policy (or regional policy) of the European Union provides a framework for financing a wide range of projects and investments with the aim of encouraging economic growth in EU member states and their regions. The policy is reviewed by the EU institutions once every seven years. The next round of programmes is to be launched in 2014. The cohesion policy (or regional policy) of the European Union provides a framework for financing a wide range of projects and investments with the aim of encouraging economic growth in EU member states and their regions. The policy is reviewed by the EU institutions once every seven years. The next round of programmes is to be launched in 2014. Background. EU Cohesion (or regional) policy has not had an easy life. Since its inception, the criticism it has been subjected to has been a constant in the history of the European Union. When the European Regional Development Fund (ERDF) was first created in the mid-1970s, the German Chancellor Helmut Schmidt mocked that there was nothing much of Community interest in the policy and that it lay firmly in the hands of national governments. Academic commentators were equally dismissive during this foundation period, criticising the fund's limited scope and scale, trivial impact, and Member State-dependence.