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REGIONAL POLICY OF THE EUROPEAN UNION AND CASES OF TWO MEDITERRANEAN COUNTRIES: SPAIN AND GREECE

Master's Thesis

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ABSTRACT

REGIONAL POLICY OF THE EUROPEAN UNION AND CASES OF TWO MEDITERRANEAN COUNTRIES: SPAIN AND GREECE

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European Union has been trying to balance the enlargement and deepening since it was established. After each enlargement process, the disparities, which have already existed, between European Union member states have more deepened, and therefore, construction of single market has been affected negatively. European Union adopted and implemented Regional Policy to solve this challenge. European Union also has used structural funds as means to help Regional Policy to reach to its aim, and it separates one third of its budget for this policy. As a result of increasing the memberships of the states that have less developed regions, types of Structural Funds have been determined according to needs. The concepts such as Region, Regionalization and Multi-level Governance are components that are the basis of Regioanal Policy. Moreover, some European Union bodies such as European Investment Bank, Committee of Regions and Committee of Audits provide the Commission to manage the Regional Policy.

Although the Regional Policy has been implemented as appropriate to government structure of each state and generally the same methods have been used, its effects and results differentiate in each country. In this thesis, two Mediterranean countries (Spain, Greece) are examined as samples in respect to the efficiency of Regional Policy in the fields of national income per capita, infrastructure, unemployment rates and education. Although the regional policy did not succeed enough in achieving its goal in Greece in which Regional Policy is governed by central government, it succeeded in achieving its goal in Spain in which Regioanal Policy is governed mostly by regions. Nevertheless, these two countries, in general, have developed thanks to the Regional Policy.

Keywords: Regional Policy, Structural Funds, Regional Disparities

ÖZET

AVRUPA BİRLİĞİ BÖLGESEL POLİTİKA VE İKİ AKDENİZ ÜLKESİNİN (İSPANYA, YUNANİSTAN) ÖRNEK İNCELEMESİ

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Avrupa Birliği kuruluşundan itibaren genişleme ve derinleşme üzerinde çaba göstermiştir. Her genişleme sonrasında Avrupa üye ülkelerinde var olan farklılıklar daha da derinleşmiş ve ortak pazar oluşturma yolundaki çalışmalar sekteye uğramıştır. Avrupa Birliği bu sorunu çözebilmek adına Bölgesel Politikayı benimsemiş ve uygulamıştır. Avrupa Birliği, uyguladığı Bölgesel Politikanın amacına ulaşabilmesi için Yapısal Fonları önemli bir araç olarak kullanmış ve bütçesinin üçte birini bu politika için ayırmıştır. Az gelişmiş bölgelere sahip ülkelerin AB'ye üye olması ile artış gösteren Yapısal Fonların türleri ihtiyaçlara uygun olarak belirlenmiştir. Bölge, Bölgeleşme ve Çoklu Yönetim gibi kavramlar Bölgesel Politikanın temellerini oluşturan birer unsurdur. Ayrıca, Avrupa Kalkınma Bankası, Bölgeler Komitesi ve Avrupa Sayıştayı gibi AB Kuruluşları Bölgesel Politikanın uygulanmasında Komisyona yardımcı olmaktadır.

Bölgesel Politika AB üyesi her ülkenin yönetim yapısına uygun olarak uygulanmış olmasına ve genel olarak aynı yöntemlerin uygulanmasına karşın etkileri ve uygulama başarısına göre sonuçları itibari ile ülkelere göre farklılıklar arz etmektedir. Bu çalışmada, iki Akdeniz ülkesi olan İspanya ve Yunanistan kişi başına düşen milli hâsıla, altyapı hizmetleri, işsizlik oranları ve eğitim alanlarındaki Bölgesel Politikanın etkinliği açısından örnek olarak incelenmiştir. Çalışma sonucunda Bölgesel Politikanın daha çok merkez tarafından yönetildiği Yunanistan'da tam olarak istenilen sonuçlara varılmamasına karşın Politikanın büyük oranda bölgeler tarafından yönetildiği İspanya'da daha etkin sonuçlar elde edildiği görülmüştür. Bununla beraber genel olarak her iki devlet de Bölgesel Politika sayesinde gelişme göstermiş.

Anahtar Kelime: Bölgesel Politika, Yapısal Fonlar, Bölgesel Farklılıklar

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ABREVIATIONS

Cohesion Policy	:CP
Committee of Regions and Local Governments	:CoR
Community Support Framework	:CSF
Court of Auditors	:CoA
European Agricultural Guidance and Guarantee Fund	:EAGGF
European Investment Bank	:EIB
European Social Fund	:ESF
European Union	:EU
Financial Instrument for Fisheries Guidance	:FIFG
Gross National Product	:GNP
Member States	:MS
Regional Policy	:RP
Single European Act	:SEA
Structural Funds	:SF
The European Spatial Development Perspective	:ESDP
European Spatial Planning Observation Network	:ESPON
Regional Competitiveness and Employment	:RC

1.INTRODUCTION

European Union (EU) is an organization established for getting rid of problems and differences among European countries. For that reason, EU mainly focuses on creating a common culture shared by member countries. Moreover, the Union tries hard to establish standards for all member states. At that point, it is normal that EU aims to get rid of differences and disparities among regions. As a result of that fact, Regional Policy of EU has a great importance for the Union.

Despite the fact that EU focuses on Regional Policy (RP), there are some problems faced while making poor regions richer. Main problem faced during that process is expansion of EU. It is seen that the more EU has members, the more difficult to make poor regions richer. So, it is wise to study on problems at regional policies created by expansion. Main aim of that study is demonstrating how membership of Greece and Spain affected RP of EU and how Regional Policies of EU affected regions in Spain and Greece after membership.

For the sake of main aim, both Greece and Spain are evaluated considering different factors observed in those countries as a result of regional policies. At that point, Spain and Greece are examined considering their positions before accession to EU and first periods of membership. Moreover, changes of patterns of governance are examined and some recommendations are stated.

Apart from main aim of the study, there are also some other aims. First of all, it must be stated that there are not enough studies in Turkey about the topic. As a result of that, the study aims to provide general information about RP and Cohesion Policy (CP) of EU.

At the study, it is aimed to provide information about basic terms seen in RP of EU. Moreover, it is also aimed to mention about regional disparities in the Union and demonstrate how regional policies and CP are important for the Union. Another aim of the study is providing information about history, principles and related institutions about regional policies.

In order to achieve main aim and other aims of the study, a large extended literature review has been made. During that process, ideas of various researchers are evaluated in great detail. Many studies are collected and examined in order to achieve main aim and other aims. Moreover, official papers of related institutions and organisations have been red. Information gathered thanks to literature review was supported by graphics.

In general, that study has three main parts. At the first part of the study, RP of the EU was evaluated. At that part, the terms “region, regionalization and multi-level governance” are mentioned. Then, regional disparities in the EU are studied in detail thanks to literature review. After that, historical development of RP of the EU is evaluated. After that, as an important subtitle, transition from RP to CP after membership of Spain, Portugal and Greece is mentioned by considering principles (concentrating, programming, additionality and partnership). Then, institutions involved in the RP are listed before funds.

Second part of that study focuses on RP in Spain and Greece. At that part, statues of Spain and Greece are evaluated in terms of before accession, changes at their governance with inquiry of efficiency implementation of cohesion funds in Spain and Greece. It is obvious that the means of RP in these two Mediterranean countries are different though the same methods are used. In Spain the regions have managed mostly the policy whereas in Greece central government has managed mostly it. As a result of this, the RP is more efficient than the one implemented in Greece. However, of course these two countries have developed through the RP.

At the third part of the study, reforms in Regional or CP in Lisbon Treaty are evaluated. That part is constructed with subtitles “Objective 1 to Convergence, From Objective 2-3 to Competiveness and Employment and From Cohesion to Territorial Cooperation”

2. REGIONAL POLICY OF THE EUROPEAN UNION

RP of EU provides the Community develop in economical and social fields coherently and struggles with the problems resulted from disparities between regions. EU gives importance to this policy, and one third of UE budget is used for RP. The EU – although among the most affluent regions of the world, is marked by strange income inequalities at the internal level and opportunity between its different regions. There exists social economical divergence between 25 member countries; moreover, this divergence can be seen between regions even within countries. The inclusion into its fold of 12 new member nations since 2004 with incomes far lower compared to the EU average, has stretched the difference. Hence, setting up of a RP will help transfer resources from the rich to the poor areas (Malais and Haegeman 2009, p.78). Actually, each EU Member State (MS) has established its own RP to decrease the regional disparities, and problems regarding to disparities firstly are under the responsibilities of states.

It was believed that decreased disparities provides to obtain more social and political cohesion in Europe and it was impossible for less developed areas to take more opportunities of a united Europe. Some countries such as Greece in EU have underdeveloped regions and this divergence increased after accessions of South Eastern Europe countries. By the way, EU, as a supranational governing body has a large capacity to increase the effectiveness of the RP.

With the introduction of the Cohesion Policy in 1989, the Commission was empowered to formulate the rules and regulations for the implementation of the RP on the part of member states and regions. The treaty basis for the CP is provided by the 1986 Single European Act (SEA) as part of the measures for the creation of the European Single Market in 1993. The goal of CP as enunciated in Article 130a of the SEA was to "reduce disparities between the various regions and the backwardness of the least-favoured regions" or the most recent phrasing of this commitment in the EU treaties is expressed as "...the Community shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands" (Leonardi 2005, p.2).

EU has set itself the goal of promoting economic and social cohesion by reducing disparities between the levels of development of its various regions in spite of the backwardness of the least-favoured regions. After all, neoclassical models predict that increasing trade and economic integration should spontaneously fuel convergence. However, it is not possible to see this convergence because there are many disparities between regions. As a result of this RP has been developed by increasing the structural funds (SF), the so-called Cohesion Fund.

2.1 BASIC TERMS IN REGIONAL POLICY

2.1.1 Region

Regions are combinations of physical, psychological and behavioural traits. While geographical proximity is important, regions cannot be reduced to spatial dimensions (Okawara and Katzenstein 2001, p.166). Historically, regions tended to be determined on the basis of ‘political boundaries’ which often cut across economic activity corridors and value chains, and increasingly, through time, have fallen out of step with the evolution of the economy and its current requirements that have become more globally focused (DIT 2006 p.57).

It is common knowledge that the EU emphasize especially on the role of Regions as the prime mover of development and as a factor reinforcing its cohesion. At the same time, the importance of the role played by the regions in programming at a cross-prefecture level, in the implementation of the principle of subsidiarity and decentralization, as well as in a balanced national development are all regarded as new challenges for the development of democratic structures (Tsiotras 2005, p.2).

Region is 'a homogeneous area with physical and cultural characteristics distinct from those of neighbouring areas….Perhaps the most critical issue in conceptualizing a region revolves around the requirement of geographical contiguity (Janda and Gilles 2010).

According to Rengasamy (n.d.), “region” is:

a . A large tract of land; a country; a more or less defined portion of earth’s surface, as distinguished by certain natural features, climatic conditions, a special fauna and flora or the like.
b . An area, space, or place of more or less definite extent or character.
c . Any portion of space considered as possessing certain characteristics.
d . Area of earth’s surface differentiated (from adjoining areas) by one or more.
e . An area homogenous with respect to certain announced criteria.
f . Any portion of earth’s surface where physical conditions are homogeneous can be considered to be a region in the geographic sense.
g . A region is a complex of land, water, air, plant, animal and human being.
h . An area with in which historical and environmental factors have combined to create relatively homogeneous social structure and a conciseness of individually (Rengasamy, n.d.).

To avoid conflicting overlaps with politically determined boundaries, regions should either be based on logical economic units, e.g., an auto-cluster which would probably spill over municipal boundaries or, in the case where local stakeholders come together with municipalities, such a region should encompass at minimum a district (DIT 2006, p.57).

In the post-Cold War era, regional relations have expanded and regional areas have become “substantially more important venue(s) of conflict and cooperation than in the past (Anthony 2003, p.1).

Regionalism is on the rise in Europe and that the regions are very interested in and committed to Europe. Regional autonomy must be perceived as a means of enhancing democracy and giving it a firmer foothold in our countries, in parallel with the Europea unification process and against the background of globalisation (Maria 2007, p.1).

In some European countries, regions have gained enormous political influence, whilst in others they perform mere administrative functions as a decentralised sub-division of the state. Some regions have been established purely as recipients of EU funds or in order to carry out European regional projects (Maria 2007, p.5).

Currently, EU member country regions serve two functions. First, regions are used mainly as statistical, planning and programming entities implementing the national government's regional development policy. Second, regions are semi autonomous or "sub-sovereign" – with their own system of administration and governance (Szegvari 2004, p.1).

According to the existing legislative context enacted by L 2503/1997, the Region is explained as a unified, decentralized administration unit. All regional or cross-prefecture ministerial authorities, dispersed at that time, were united under a unified organizational structure, giving birth to the necessary legal and administrative context for a more effective execution of tasks transferred from central administration to the Region. The independence of the Region in relation to the centre is reinforced by regulations regarding its internal organization and staffing, as well as its financial management (Tsiotras 2005, p.4).

In that way, the Region, as an administrative unit: Disposes of its own personnel; Disposes of its own budget; Disposes of mechanisms to manage regional project credits (Regional Project Collective Decision, RPCD), which come from national funds or EU program funds; Assists the Government in the configuration of a regional development policy; Brings the Administrations closer to the citizen and its problems; Specializes and implements governmental policy at a regional level (Tsiotras 2005, pp.4-5).

According to its founding Law, the function of the Region is mainly specified at two levels. First one is the level regarding democratic programming and coordination of the policies announced by the State and the Local Authorities, and the second level is the control of legitimacy and effectiveness of policies executed by Local Authority Organizations of the 1st and 2nd degree (Tsiotras 2005, p.6).

2.1.2 Regionalization

Regionalization describes geographic manifestations of political, military, economic or social processes at the international level. Regionalization can be both societal and governmental (Okawara and Katzenstein 2001, p.166). In today's world, no nation can realise its full economic potential on its own. Cross-border and regional co-operation will maximise prosperity for each of the MS in the continent, as is the case for other regions of the world (Biekpe 2000, p.164).

The structural changes brought about by the end of the Cold War has renewed attention on regionalism and a reconsideration of the security role of regional security organizations in promoting international peace and security (Anthony 2003, p.1).

Regionalism, in its various forms, offers guarantees of greater political stability and greater respect for the Council of Europe's values, in particular as regards the spread of democracy. The draft recommendation calls on the MS, the Committee of Ministers, the Congress of the Council of Europe and the EU to follow this avenue and support regionalisation efforts by fostering the principles of subsidiarity, proximity, good governance and active citizenship (Maria 2007, p.1).

The end of the Cold War and the structural changes that followed, particularly the expansion of regional relations without the overlay of the bipolar politics, had seen the emergence of new conflicts both at the inter-state and intra-state level (Anthony 2003, p.4).

2.1.3 Multi-level Governance

The term multilevel governance describes the dispersion of power away from national governments, both upward to the supranational level and downward to the subnational level of provincial, state, and municipal governments (Callaghan 2008, p.10). Multilevel governance suggests that political authority is dispersed across and shared between European and national institutions (Eising 2004, p.212). A multilevel governance perspective forces one to address processes of the supranationalisation, the decentralisation and the dispersal of authority as potentially coterminous, rather than engage in very narrow, linear, debates about the influence, or lack of influence, of international agencies (Stubbs 2005, p.67).

The concept of multilevel governance provides “a unique opportunity to foster and develop a deeper understanding of the complementarity of a range of theoretical and empirical models and tools drawn from a number of interrelated disciplines and subdisciplines (Stubbs 2005, p.66).

Some authors emphasize that national institutions must now share important powers with EU institutions and have lost some of their autonomy (Marks and Hooghe), others point out that a multitude of public and private actors are involved in the process of governing (Jachtenfuchs and Kohler-Koch), some authors refer to the complexity of the network like institutional configuration (Ansell), and still others highlight the variety of interaction patterns in EU policy making (Eising 2004, p.214).

An alternative vision of multi-level governance is one in which the number of jurisdictions is vast, rather than limited; in which jurisdictions are not aligned on just a few levels, but operate at diverse territorial scales; in which jurisdictions are functionally specific rather than multi-task; and where jurisdictions are intended to be flexible rather than fixed (Hooghe and Marks 2001, p.7).

Before 1989, the implementation of structural policy was determined by national governments according to national priorities. In addition to governments controlling the input of subnational authorities, the role of social partners was often limited and Non-Governmental Organizations (NGOs) were largely absent from partnerships (Bache 2004, p.167**).**

Regional involvement to policies was limited, however; through the partnership principle, there was greater evidence of emerging multi-level governance in less centralized states. In his study, Kelleher et al. (1999) found that ‘the degree of decentralization and the type of deconcentration occurring in the different MS inevitably shapes the relations between key actors within partnerships and determines the competencies and composition of partnerships. Central governments generally remained key actors in shaping partnership arrangements: MS continue to dominate and delimit partnership functioning—through their roles in negotiating programme content and selecting horizontal partners, and through their provision of secretariats and managing authorities (Kelleher 1999).

Significantly, however, there were instances of some governments increasingly recognizing the benefit of partnership working for their own policy agendas, and voluntarily widening participation (Bache 2004, p.167**).**

The Committee of Regions believes innovative methods of multilevel governance, including harnessing existing networks and platforms, will promote pro-active commitment of local and regional authorities instead of relying on simple enforcement of EU law via the MS (Baker 2011, p.5).

2.2 REGIONAL DISPARITIES IN THE EUROPEAN UNION

According to a Commission report [Comisión Europea, 1999], the elements that explain the regional differences are: the structure of economic activity, the degree of innovation, the accessibility of the regions measured by transport infrastructures, and the knowledge possessed by the labour force. These indicators are not determined exactly, but 65 percent regional disparities can be explained by this (Garcia 2003, p.81). Regional disparities can no longer be defined only in terms of statistical differences in the values of standard macroeconomic indicators. Knowledge does matter more and more in defining both the level and the growth rate of a given region GDP (Maggioni and Uberti 2005, p.2).

The reduction of regional disparities has been one of the main targets of EU policies since its very beginning (Maggioni and Uberti 2005, p.27). The aim of the SF is to enforce regional cohesion in Europe. They strive to reduce the development disparities across regions, to regenerate industrial and rural areas that are in decline, as well as to reduce long term unemployment (CEPII 1999, p.1).

Regional disparities are shown in Table 2.1.

Table 2.1. Regional Disparities in Countries

Country	The Richest Region	The Poorest Region	Amount of GDP Per Capita Difference	Percentage of GDP Per Capita Difference
Czech Republic	Prague	Central Moravia	$14,671	63%
Denmark	Hovedstaden	Sjaelland region	$23,887	35%
Italy	North-West	South	$12872	46%
Poland	Centralny	Wschodni	$ 7508	49%
France	Ile-de France	Nord-pas-de-Calais	EUR 21.157	49. 54%
Austria	Wien	Burgenland	EUR 61.578	91.05%
Belgium	Brussels	Hainaut	EUR 19.118	53.11%
Ireland	Leinster	Connacht	EUR 8.348	33.05%
Germany	Hamburg	Mecklenburg-Vorpommern	EUR 31.771	64. 4 %
Latvia	Riga	Latgale	EUR 3.451	70.8 %
Portugal	Lisboa	Norte	EUR 10.648	44.9%
Slovakia	Bratislavsky Kraj	Vychodne Slovensko	EUR 17.146	67.65%
Bulgaria	South-West	North Central	$ 2.438	46.92%
Romania	Bucuresti-Ilfov	North-East	EUR 11.330	68%
United Kingdom	London	Wales	EUR 26.1227	53%
Finland	Uusimaa	Kainuu	EUR 10,467.70	50%
Slovenia	Osrednjeslovenska	Pomurska	EUR 6.85424	54%
Lithuania	Vilnius	Taurage	EUR 7,03775	68%

Source: Gurleyen, I., 2008. *Regional Disparities in European MS.* Paper Submitted to the Course of EU 308 Turkey EU Relations of Faculty of Economics and Administrative Sciences

In EU, the disparities can not only exist between countries but also between regions in a member state. The richest province of Spain is Pais Vaso and the poorest one is Extremadura. The GDP per capita difference of these two regions is EUR 45.197. The richest province of Greece is Attica and the poorest one is Thrace. The GDP per capita difference of these two regions is EUR 4.897, which is 28.11 percent (Gürleyen 2008, p.13).

Similarly, there are disparities between generally rich north and poor south as well as rich west and poor east in EU MS. One characteristic in which the Southern MS are considered to be similar is their comparatively lower level of social protection. From a general perspective the Southern European welfare states have been characterised as rudimentary or inadequate (Hartlap and Leiber 2006, p.6). EU 15, i.e. the group of EU members before the 2004 enlargement, has no more than two MS, Portugal and Greece, which have a per capita income level of below the threshold of 75 per cent of EU 15 average income, which has been customarily used to indicate the less developed areas (Tondly 2004, p.6).

Although benefits of cohesion are maybe not equally distributed within a region, all will experience an improvement in the standard of living conditions. Let us assume that an Objective 1 region with an average income of 70 percent of the EU average is composed of two equally sized groups (geographically separated within the region), one with an income of 50 percent and another with 90 percent of the EU average. Assuming a uniform 10 percent increase in income during the period 1994-1999 would bring the average regional income to 77 percent (the region as a whole therefore losing Objective 1 status). The less prosperous group would reach an income of 55 percent of the EU average, while the wealthier group would reach 99 percent. The gap between 'rich' and 'poor' would increase in absolute terms. Thus, without a simultaneous redistribution mechanism, an 'expanding cake' brings greater benefits to those who experience a higher marginal income growth. One can expect this to bring negative consequences for the less prosperous group due to changes in regional market prices. Thus, within a process of converging regional economies, disparities in income distribution may increase (Paul McAleavey and Stefaan De Rynck 1997, p.16).

Although Article 158 of Lisbon Treaty establishing the European Community mentions social cohesion, the degree of success of RP is largely judged on the reduction of regional differences in Gross Domestic Product (GDP) per head (House of Lords 2008, p.8). In the light of Dunford's comment, it can be said that a crucial variable for improving regional economic performance and establishing a more cohesive society at the same time is the mobilisation of human capital. This should contribute to a GDP growth which is capable of sustaining a more cohesive society rather than a GDP growth which divides society (Dunford 1997, pp.93-108).

It cannot be distinguished between possible single factors behind this tendency: faster growth of productivity in urban agglomerations is due to localised dynamic spillovers and R&D infrastructures or selection of specific economic activities (sectors and functions) into specific types of regions following pecuniary or pure externalities (Geppert 2006, p.19).

2.3 EVALUATION OF REGIONAL POLICY AND REASONS OF REGIONAL POLICY

The traditional purpose of the policy, to promote convergence between regions, is defined in the General Regulation governing the policy (Regulation 1083/2006):

> *in order to strengthen its economic and social cohesion, the Community is to aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions or islands, including rural areas* (Salmon 2008, pp. 147-177).

In EU, RP is an important factor supporting economical integration and it is based on the concepts of solidarity and coherence. The Community needs this policy to decrease the regional disparities and to provide economical integration, and a result of this, EU RP was constructed. RP aims to reduce the gap between countries, and especially cohesion fund was created to decrease the gap between 15 EU countries and four former cohesion countries (Spain, Ireland, Portugal and Greece).

The main aim of RP is to promote development by overcoming challenges resulted from deepening and enlargement of Europe in less developed regions. RP has important effects on increase of the quality of public investment with its 7 years programming approach improving long-term budgetary planning in MS. And with this approach, it helps MS to determine the priorities for public investment co-financed by the Community so that they can use it more effectively (EC Fourth Report on Economic and Social Cohesion, 2007).

The EU's growing role in promoting cohesion is reflected in two major Treaty changes in the last ten years. The chapter on economic and social cohesion in the SEA (1987) provided a basis in the Treaty for the radical overhaul of the SF in 1988. 'Maastricht' took the commitment of the EU one step further, with the inclusion in the Treaty on EU (Article 2) of economic and social cohesion as one of the three key priorities alongside the Single Market and Economic and Monetary Union (EMU). It is worth noting that in the same Article of the Treaty (the new Article 2) both the concept of convergence of economic performance (for the purposes of EMU) on the one hand, and economic and social cohesion on the other, are set out. The question of the interface between the two is left open (Paul McAleavey and Stefaan De Rynck 1997, p 5).

In 1986, the SEA allowed for a RP designed to counter any negative repercussions of the single market. There are also large disparities across the regions of the EU in terms of their unemployment rates. In 1996 the 10 regions with highest unemployment rates had twice the EU average unemployment rate (Puga 2001, p.1).

The implications of the strategy for EU RP is that it should focus on three priorities: improving the attractiveness of regions and cities in the MS; encouraging innovation, entrepreneurship and growth in the knowledge economy; and creating more and better jobs. It has two major targets at the European level—increasing the share of public and private investment in R&D to 3 percent of GDP; and securing an employment rate of 70 percent, both by 2010 (House of Lords 2008, p.10).

One account has suggested that 'the development of the EC's structural policy in particular, while posing new challenges, has also given sub-national governments a new arena for pressing their demands.

Traditionally unitary nation-states now have to think seriously about regionalization to keep pace with European-level developments, while regional governments and Community institutions regard each other as useful partners in bargaining with the MS (Bullmann 1996, p.3-19).

Unfortunately in the Union's terminology cohesion is applied in a very misleading way. The part of the EC Treaty which contains the provisions for EC RP is headed by the title "economic and social cohesion". Accurately this title should be "policy to promote economic and social cohesion (by the means of RP).

From the analysis of Mediterranean regions the following conclusions can be drawn: In the Southern countries industry concentrates in the capital regions but is quite vulnerable to ongoing restructuring processes either caused by internal market effects or new EC trade arrangements. As, in addition, there is an inflow of labour from rural parts, unemployment tends to be high in these places. Second, unemployment is very high in mainly agricultural areas where agricultural rationalisation was initiated. Lastly, a common phenomenon in agriculturally dominated areas is a decline of population, people move into the growth centres. Causal factors are productivity increases in agriculture and/or high unemployment (Tondl, Papers IEF, Working Paper Nr. 9, 1995).

2.4 FROM REGIONAL POLICY TO COHESION POLICY AFTER MEMBERSHIP OF SPAIN AND GREECE AND PRINCIPALS OF REGIONAL POLICY

When it is analysed the things that cause the regional differences in Europe, it is seen that the first reason is lack of development. In some parts of Europe, agriculture is still dominant industry and some countries have geographical disadvantages such as peripherality, remoteness or inaccessibility. In EU, each enlargement process needs a reform in RP. When the reforms made in RP are analysed, it can be easily observed that each reform was made after each enlargement movement in EU.

ERDF was created after accession of Ireland and UK and similarly the accession negotiations of Portugal and Spain in the mid-1980s provided the adoption of Integrated Mediterranean Programmes and Cohesion Fund. Finally, the last enlargement of 2004 resulted in new debates to begin reforms in regional policy. Similarly, deepening of integration of EU resulted in reforms in RP. For instance, for the aim of actualizing the Economic and Monetary Union and internal market, CP was established.

It was necessary to strengthen the RP to protect the countries which have poorer economy from negative effects of market economy. The requirement for a European RP has evolved with the integration process and the broadening of the Union as regards terms of relationships (Malais and Haegeman 2009, p.7).

In 1992, the EU decided to the creation of the Cohesion Fund to support the least prosperous MS in their efforts towards economic convergence for preparation of economic and monetary union. Ireland, Greece, Spain and Portugal were the poorest MS who had a gross national product of less than 90% (Oktayer 2007, p.121).

During the 2000-2006 periods, the Agenda 2000 package allocated a total of 213 billion EURO to CP. 95 billion EURO of this was allocated to the SF and 18 billion EURO to the Cohesion Fund which targets Greece, Spain, Ireland and Portugal (Oktayer 2007, p.122).

2.4.1 Concentration

The principle of concentration is introduced in 1988 reform (Ada, 2009, p.18). The concentration of regional resources increases the effectiveness of RP by focusing on priority areas and preventing resource dissipation. These resources should be concentrated in underdeveloped areas and the main priority should be the establishment of sustainable regional economies and job creation (Szegvari 2004, p.5).

The analysis of the concentration of the development funds highlighted important conclusions referring to the period of 1994-1999 and 2000-2006. There is only a weak connection between the obtained funds and the structural disadvantage of different EU territories. This means that the concentration of funds was not suitable, and not the most lagging behind regions received the highest amount of subsidies in the recent planning period (Balaz 2010, p.4).

Commission set consistent geographical and functional criteria on management of funds, and thereby to concentrate spending on the most needy regions and states. To a certain extent this goal has been achieved. The Cohesion Fund furthered this principle of concentration by limiting the recipients to only four MS, although from 2007 that figure will rise to eleven (H. Wallace, W. Wallace and A. Pollack 2005, p.226).

Taking into account the existing SF as well as Community initiatives, the number of objectives and funds was further reduced in the 2007-2013 period. The new Council Regulation 1083/2006 distinguishes three main objectives, which will be elaborated in greater detail below: Convergence, Regional Competitiveness and Employment as well as European Territorial Cooperation. In addition, the number of financial instruments (funds) was reduced from six to three and the principle of “monofunding” introduced, meaning that one programme can only be financed by a single fund (Schröder 2008, p.10).

2.4.2 Programming

Programming is the thematic allocation of EU SF. Like the principle of concentration, this approach was introduced by the 1988 reforms. It basically included a shift from individual projects under MS schemes to multi-annual programmes, designed in line with Community objectives and approved by the Commission (Schröder 2008, p.18).

The principle of programming means that multi-annual programmes in which priorities are defined for the region are composed and one of them is Community Support Framework. CSF can be over five years programmes for Objective 1 regions while it can three years programmes for Objective 2. These programmes are implemented at regional level and they are supervised by monitoring committees (Archer 2000, p.133-142). The plans must be based on national and regional priorities. Reforms made in 1988 and 1993 provided for the SF to be allocated to programmes rather than to individual projects. These programmes could be initiated at the national or Community level, and could be financed by one or more of the funds resource (H. Wallace, W. Wallace and A. Pollack 2005, p.)

The Programming principle should not be questioned and remains the best way to effectively plan a long-term European strategy for regional development. Regarding the calls for proposals, AER suggests replacing punctual calls for projects by ongoing calls in territorial cooperation programmes. The projects could be sent to the EC at any time, which would avoid the uncertainty of EC calls and problems linked to short delays for preparation (Assembly of European Regions 2008, p.10).

There are some main issues concerning the Articles relating to programming. First, with respect to the 'specific character of the Funds', MS holds different views on the proposal for mono-Fund programmes… Second, there are tensions over programme content. In general, there is support for the proposed eligible activities under the convergence objective among the new MS (Batchler and Wishlade 2005, p.40).
By the way, some changes have been made in this principle. Among 2000-2006 period and 2007-2013 periods, the main changes concerning the principle of programming are as follows:

a) Reduction in the number of instruments and simplification of management
b) A hierarchical structure with strong focus on Lisbon Agenda
c) A shift in the Commission´s influence from the programme level to the strategic policy level (Schröder 2008, p.21).

2.4.3 Additionality

The principle of additionality means that Union resources are added to national funds rather than replace it, and full involvement local authorities in implementation of SF. In other words, they co-finance the total value of the investments approved by adding to the national/regional resource (H. Wallace, W. Wallace and A. Pollack 2005, p.230).

This principle requires MS to spend allocations from the SF in addition to their own domestic expenditure, so that structural policies represent an addition rather than a substitute for national policies (Schröder 2008, p.25).

The requirement of additionally suggests that in a market-oriented economy, RP should encourage local/regional actors to use their own resources for local/regional development, which could be supported by national or European subsidies (Szegvari 2004, p.5).

This principle should be re-emphasized and better respected: EU money is distributed to support EU-added value initiatives with an objective of territorial cohesion. It cannot replace national funding and should always be in line with EU priorities and objectives. It should be contractual and a condition for the continuation of financial support (Assembly of European Regions 2008, p.10).

The principle of additionality is a critical issue between EU and MS because some MS use SF by cutting their own RP expenditure. As a result of this, the RP loses its effectiveness. Especially this principle was adopted via reforms made in 1989 to ensure that the MS use SF in addition to their own budgets.

2.4.4 Partnership

The principle of partnership means all administrative levels such as local governments, agencies, and business groups take part in preparing and implementation of programmes together with national governments and EU. In another words, each region in each national state would be engaged in every process of RP and with this principle, the system of multi-level governance including Community, national, regional and local governments is adopted in EU (Archer 2000, p.133-142).

Officially, the principle of partnership was introduced by the 1988 reforms to enhance efficiency of RP by involving sub-national actors in the planning, decision making and implementation of SF (Schröder, 2008, p.27). Responsibilities and regional development programmes are shared between national and local/regional governments as well as between the public and the private/civil sector (Szegvari 2004, p.4).

About the efficiency of this principle the authors think differently, and some of them say that principle has enhanced regional involvement in the policy process whereas the others argue that much of activity as symbolic and the power is in the hands of central governments (H. Wallace, W. Wallace and A. Pollack 2005, p.230).

The planning of EU regional development programmes follows the partnership principle, i.e. cooperation of the regional and national administrations and the Commission. Regional authorities are meant to play a major part in problem formulation and proposition of regional development strategies and measures. MS perform a coordination function on the national level (Tondl 2004, p.19).

Partnership principle has allowed for a better participation of regional authorities in the past and should continue to be implemented. There is still some margin for improvement, in particular in old EU MS where regional authorities are still not in charge of managing SF. In countries where experience has shown that Regions could act Managing authorities with success, the principle should be spread to all regions asking for it (Assembly of European Regions 2008, p.10).

The partnership principle should also apply in the programming and planning of regional development, and the legitimacy as well as efficiency of regional development programmes require a 'bottom-up approach (Szegvari 2004, p.4).

According to the new regulation, a partnership is possible with authorities and bodies such as: a) the competent regional, local, urban and other public authorities, b) the economic and social partners and c) any other appropriate body representing civil society, environmental partners, nongovernmental organisations, and bodies responsible for promoting equality between men and women (Schröder 2008, p.28).

This principle of partnership is enshrined in the articles of the legislation for the programming period 2007-2013:

> *Article 11*
>
> *1. The objectives of the Funds shall be pursued in the framework of close cooperation, (hereinafter referred to as partnership), between the Commission and each Member State. Each Member State shall organise, where appropriate and in accordance with current national rules and practices, a partnership with authorities and bodies such as:*
> *(a) the competent regional, local, urban and other public authorities;*
>
> *(b) the economic and social partners;*
>
> *(c) any other appropriate body representing civil society, environmental partners, nongovernmental organisations, and bodies responsible for promoting equality between men and women..*

Each Member State shall designate the most representative partners at national, regional and local level and in the economic, social, environmental or other spheres (hereinafter referred to as partners), in accordance with national rules and practices, taking account of the need to promote equality between men and women and sustainable development through the integration of environmental protection and improvement requirements.

2. The partnership shall be conducted in full compliance with the respective institutional, legal and financial powers of each partner category as defined in paragraph 1.

3. The partnership shall cover the preparation, implementation, monitoring and evaluation of operational programmes. MS shall involve, where appropriate, each of the relevant partners, and particularly the regions, in the different stages of programming within the time limit set for each stage.

4. Each year the Commission shall consult the organisations representing the economic and social partners at European level on assistance from the Funds (EU, 2010, p.2-3).

2.5 INSTITUTIONS IN THE REGIONAL POLICY

2.5.1 The Committee of the Regions

Since reducing regional disparities in EU, the Commission established the Consultative Council of Regional and Local Authorities in 1988. But, the Consultative Council did not work very well, and then the Committee of the Regions (CoR) was established in 1994 with Treaty of EU as an advisory body. It consists of representatives of Europe's regional and local authorities. When the decision is taken regarding to regional matters, environment, education and transport, CoR has to be consulted. The duty of CoR is to submit local and regional issues to the Commission, and it also evaluates the proposals of Commission. The Commission and the Council must consult the CoR on topics of direct relevance to local and regional authorities, but they can also consult the Committee whenever they wish.

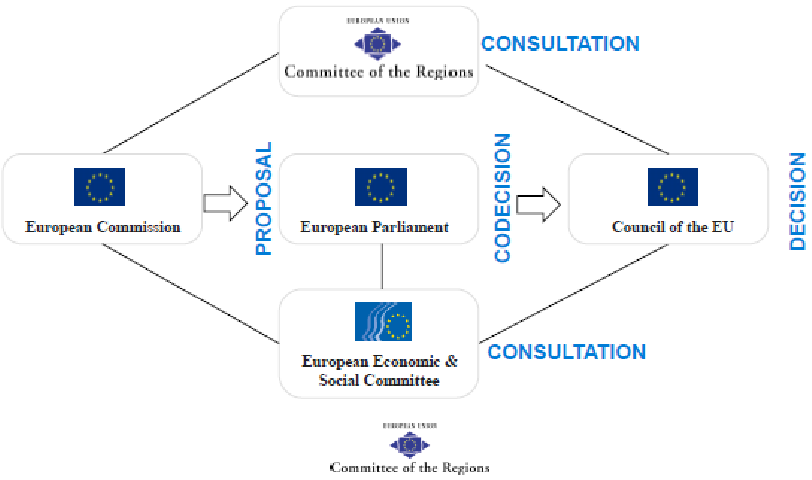
There are three main principles of the Committee and these are subsidiarity, proximity and partnership. Subsidiarity means that the decisions of the EU should be taken at the closest level to the citizens. Proximity provides the governments to be close to citizens while they realize their work transparently. Lastly, partnership means the decision and implementation of policies are held together at all administrative levels (national, regional and local governments).

The Committee was created, following ratification of the Treaty of EU (the Maastricht Treaty), under Article 198 of the Treaty as a new deliberative assembly. In other words, it is a body to be consulted and whose opinion must be sought on proposals for EU legislation, but it is not a legislative body, nor does it have the status of an Institution of the EU. It has 222 full members and 222 alternates. Seats are allocated between member-states as follows: 24 each for France, Germany, Italy and UK; 21 for Spain; 12 each for Austria, Belgium, Greece, Netherlands, Portugal and Sweden; 9 each for Denmark, Finland and Ireland, 6 for Luxembourg (Wiliams 1995, p.3). These members generally are local government representatives or mayors. They are nominated by the EU governments but they work in complete political independence. The Council of the EU appoints them for four years, and they may be reappointed. The Committee of the Regions chooses a President from among its members for two years. In the Committee, six commissions are constructed, and they are Commission for Territorial CP (COTER), Commission for Economic and Social Policy (ECOS), Commission for Sustainable Development (DEVE), Commission for Culture and Education (EDUC), Commission for, Constitutional Affairs and European Governance (CONST), and finally Commission for External Relations (RELEX).

With Lisbon Treaty, which entered into force on 1 December 2009, lots of changes were made regarding to CoR to increase its competence on regional and local matters. The most important one is that it is an important step forward in enabling all levels of government across Europe to work together. It should strengthen the principle of “subsidiarity” meaning that decisions are made as close as possible to the people that decisions actually affect. The Committee gains a greater presence in all stages of the creation of EU laws – in the preparation, amendment and monitoring of legislation which affects regional and local authorities. This will ensure greater input in EU policies from the levels of authorities that are closest to the public, and foster greater public involvement in European integration.

At an institutional level, (CoR) is the political assembly that provides regions and cities with a voice at the heart of the EU (Eurobarometer 2009, p.3). CoR was set up to address two main issues. Firstly, about three quarters of EU legislation is implemented at local or regional level, so it makes sense for local and regional representatives to have a say in the development of new EU laws and to monitor compliance with the principle of subsidiarity, ensuring that decisions are taken as close to the grassroots as possible. Secondly, there were concerns that the public was being left behind as the EU steamed ahead. Involving the elected level of government closest to citizens was one way of closing the gap (Eurobarometer 2009, p.3).

While main decisions on the common policies, including RP, are mostly initiated by the Commission and adopted by the Council (and for certain issues after Parliamentary and even Committee discussion), regional/local governments could take part directly through their representatives as the member of the CoR of EU (Szegvari 2004, p.7). The body structure of Committee of Region is shown in Graph 2.1.



Graph 2.1: The CoR and EU decision-making

Source: Kadar, A., 2010. *A political assembly of the EU, representing local and regional government*, Committee of the Regions Research Paper, The CoR believes local and regional authorities should play a greater role in formulating EU environmental policy. Their involvement guarantees better implementation and ownership (Baker 2011, p.5). The regions should have a joint role in the European institutions by means of organised regionalism within the Committee of the Regions, with clear differences for the so called constitutional or legislative regions (Maria 2007, p.12).

The President of CoR, Mercedes Bresso states:

> *In our capacity as local and regional representatives we must leverage the introduction of a new territorial cohesion objective to protect CP from attempts to renationalise or weaken it. We will thus continue trying to ensure that a RP for all Europe's regions is maintained and will call for territorial impact analyses before and after the adoption of new Community legislation*.

She also says that as regards the subsidiarity principle, our aim is to minimise use of the 'coercive' aspect of subsidiarity, and ensure that the requirement of partnership with local authorities is already met before the adoption of a legislative proposal. This approach should guarantee more effective implementation, in the context of new legislation required to address the economic, financial, social and climate crises (Newsletter of the Committee of the Regions 2011, No 71, p.4).

2.5.2 European Investment Bank

European Investment Bank (EIB) is EU's financing arm, established by the Treaty of Rome in 1958. EIB's shareholders are the 27 EU MS. Aim of EIB is promoting EU objectives. EIB provides long term loans both to the private and public sector, with a broad range of currencies. Total lending in 2009: EUR 79.1bn (EUR 57.6bn in 2008) (Clause 2010, p.3). The task of The EIB is to contribute for the integration and development of EU MS. EIB is a policy driven bank, and does not manage personnel bank accounts. The EIB makes long term loans for capital investment projects, however, it does not provide grants and the owner of EIB is the MS of EU. They endorse to its capital according to their economic weight; in other words EIB does not use any funds from EU budget. As the EIB is not-for –profit, its lending conditions are equally favourable. The EIB cannot however lend anymore than 50% of the total cost of an individual project.

It can be said that the criteria, which EIB select to invest the projects, are the followings: The Projects must be intended to EU objectives; they must be economically, financially, technically and environmentally preferable, and finally they should help attract other sources of funding.

The EIB, which is an autonomous institution, makes its own borrowing and lending decisions for each project and the opportunities offered by the financial markets. The EIB works in cooperation with the other European institutions in pursuit of Community's objectives. The EIB also supports sustainable development in the candidate, potential candidate countries, and in partner countries, and it is the majority shareholder in the European Investment Fund.

Within the EU, the EIB has seven priority objectives for its lending activity and these objectives take place in the Bank's business plan. The first priority is to arouse small and medium-sized enterprises for their investment. The second one is to achieve cohesion and convergence between EU MS by addressing economic and social imbalances in disadvantaged regions. The third one is to fight against climate change and decrease of the effects of global warming. The fourth one is to invest a cleaner natural and urban environment and to protect the environment for sustainable communities. The fifth one is to sustain competitive and secure energy by helping producing alternative energy and to reduce dependence on import. The sixth one is promote an economy that encourages knowledge and information technology, and finally the seventh on is to create cross-border network in transport and communication (www.eib.org 2011).

The EIB's main decision-making bodies consist of The Board of Governors, The Board of Directors and The Management Committee. The first body -Board of Governors- consist of usually Finance Ministers of EU MS, it lays down credit policy guidelines, approves the annual accounts and balance sheet, and decides on the Bank's participation in financing operations outside the EU as well as on capital increases. The second body- the Board of Directors- consists of 28 Directors, with one Director nominated by each Member State and one by the European Commission. It has power to take decisions in respect of loans, guarantees and borrowings.

The third body- the Management Committee -is the Bank's permanent executive body, and it has nine members. Under the authority of the President and the supervision of the Board of Directors, it oversees the day-to-day running of the EIB, prepares decisions for Directors and ensures that these are implemented (www.eib.org 2011).

Building a better and more sustainable future is the driving force behind everything we do," Philippe Maystadt, who is the President of EIB, underlined at the EIB press conference in Brussels on 22 February "Budget constraints are likely to remain with us, but the needs for investment in order to enable and drive economic growth are huge", Mr Maystadt added. The EIB will therefore use its financial and technical expertise to develop new instruments with the Commission which offer additional risk-bearing capacity for priority sectors, such as infrastructure and SMEs. Since the launch of the economic recovery measures, the EIB Group (EIB and the European Investment Fund) has helped more than 160 000 SMEs throughout Europe. For its part, the financing of convergence regions in Europe made up 41 percent of all EIB activity within the EU, supporting some 430 projects to help even out the EU's patchy return to growth.

The EU and its MS are working to coordinate activities in the Mediterranean region and provide the necessary support to the countries that find themselves on the road to a democratic transition. "We are ready to do more to help these countries in their transition to democracy," Philippe Maystadt said, adding that "the EIB would probably be the fastest and least expensive way to help" (http://www.eib.org/attachments/general/bei_info/bei_info141_en.pdf#page=3).

The EIB together with the European Investment Fund constitutes of the EIB Group and provides loans at finance market rates in two forms:

a. global loans to financial intermediaries operating at national, regional or even local level; there are over 130 such intermediaries; the loan packages are used (in accordance with the Bank's economic, technical and financial criteria) to support small and medium-sized investments made by SMEs,

b. loans on larger projects exceeding € 25 million can be agreed directly with EIB headquarters (EC, 2004, p.95).

EIB –the Bank promoting EU objectives are as follows:

a. EU's financing arm, established by the Treaty of Rome in 1958
b. EIB's shareholders are the 27 EU MS
c. Promoting EU objectives
d. Provides long term loans both to the private and public sector, with a broad range of currencies
e. Total lending in 2009: EUR 79.1bn (EUR 57.6bn in 2008)
f. Lending to the convergence objective in 2009: EUR 28.8bn (20.7bn in 2008)
g. Cohesion and convergence ("regional development")
h. Small and medium-sized enterprises (SMEs)
i. Environmental sustainability
j. Knowledge Economy
k. Trans-European Networks (TENs)
l. Sustainable, competitive and secure energy (Hyzyk, 2010, p.3-4).

EIB provides long-term finance promoting European objectives:

a. to MS, Regions and Beneficiaries
b. Blending grants with loans through a programme oriented
c. Instrument - Structural Programme Loan
d. Investment Loans for large projects
e. Providing technical assistance, where required (Clause, 2010, p.7).

Lending objectives within the EU:

a. Cohesion and convergence ("regional development")
b. Small and medium-sized enterprises (SMEs)
c. Environmental sustainability
d. Knowledge Economy
e. Trans-European Networks (TENs)
f. Sustainable, competitive and secure energy (Clause, 2010, p.4).

As part of the continuing efforts to make CP more effective, in recent years the EIB and the European Commission have joined forces to provide a series of instruments designed both to support project preparation and to increase the use of financial engineering tools in the context of CP: JASPERS, JEREMIE, JESSICA and JASMINE (EIBG 2008, p.2).

In 2000-2006 the Bank approved EUR 4.8bn of SPL operations, corresponding to EUR 75bn of investment costs (Hyzyk 2010, p.13). For the period 2007-2013, some EUR 350bn have been slated for EU CP, representing nearly 36 percent of the Union`s budget (EIBG 2008, p.4).

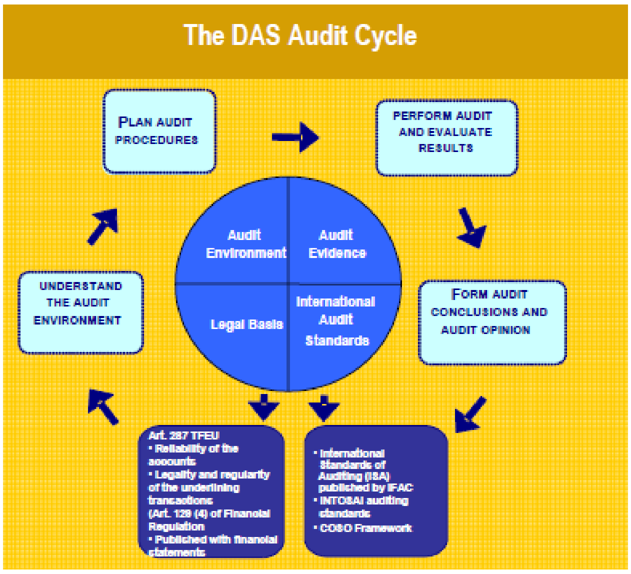
2.5.3 European Court of Auditors

The European Court of Auditors is the EU Institution responsible for audit of the EU Budget (plus European Development Funds (EDF) (Articles 285- 287 of Treaty on Functioning of the EU). It has College of 27 Members, approx 900 staff, divided up into 5 audit chambers including one specifically for EU external assistance (European Court of Auditors 2011, p.2).

Treaty confers upon the European CoR the main task of auditing the accounts and the implementation of the budget of the EU, with the dual aim of improving financial management and reporting to the EU citizens on the use made of public funds by the authorities responsible for their management (EUROSAI 2000, p.17).
Aims of European CoR are:

a. establish whether the consolidated final accounts give a true and fair view of the EU finances,
b. establish whether funds have been received and spent in conformity with contractual and legislative conditions and have been correctly and accurately calculated,
c. Determination of whether, the transaction took place, the beneficiaries were eligible for the funds received and the costs/quantities claimed were accurate and eligible (Zach 2010, p.6).

The Das Audit Cycle is shown in Graph 2.2.



Graph 2.2: The Das Audit Cycle

Source: Zach, L., 2010. *European CoR` Approach to the Audit of CP*. European CoR, September, 2010.

2.6 THE STRUCTURAL FUNDS

The origins of the EU SF can be found in the Treaty of Rome. The preamble of the founding treaty set out the commitment of the MS to "ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions" (Oktayer 2007, p.120). Since infrastructure gap represents the main causes for regional inequalities, SF are widely used (more than 60 percent) to finance investment project for public infrastructures in backward regions. Although income differences are seen in European MS, infrastructure (transport, communications, energy and education) gaps are greater in the EU. Meanwhile, it is obvious that increase in infrastructure affects the regional growth rate and foster regional development.

Policies to tackle regional disparity have been in place for fifty years. The ESF, European Agricultural Guidance and Guarantee Fund (EAGGF) and the European Regional Development Fund (ERDF) were created in 1958, 1962 and 1975 respectively.

Initially there was nothing to stop the MS substituting the ERDF funds for their own regional expenditure, effectively turning the ERDF payments into a rebate (House of Lords 2008, p

The financial resources allocated to these funds were also significantly increased. The reform of European RP, the increase in the budget and the recent slowdown of convergence all underline the need for a thorough assessment of the policy outcomes (Cappelen 2003, p.622).

The EU Structurel Funds were allocated according to the six objectives in below period of 1988-1999 (with revisions in 1993):

Objective 1: Promoting the development of less developed regions (those with per capita less than of close to 75 percent of the Community average) (ERDF, ESF and EAGGF [Guidance Section]). Objective. The Council decides eligibility for this objective. Objective 1 draws on funds from the ERDF, ESF, and EAGCF.

Objective 2: Converting the regions affected by industrial decline, where the unemployment level is above the EU average. Eligibility for this objective is negotiated between the Commission and the Council. Objective 2 draws on funds from the ERDF and the ESF.

Objective 3: Combating long term unemployment; assisting young people into work; helping people exposed to exclusion from the labour market and promoting equal opportunities for women and men (ESF). It is specifically aimed at encouraging the modernization of systems of education, training, and employment.

Objective 4: Promoting support for workers having to adapt to industrial changes.

Objective 5: Accelerating the adjustment of agricultural structures. Promoting of the development of rural areas.

Objective 6: To promote development of regions with low population density (ERDF, ESF) (Can 2002, p.304).

The main stages of SF can be summarized as follows: The countries signing the Treaty of Rome refer in its preamble to the need "to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions" (**1957)**. Setting-up of two sector-based Funds: the ESF (ESF) and the EAGGF (EAGGF) **(1958)**. Creation of the European Regional Development Fund (ERDF) is to redistribute part of the MS' budget contributions to the poorest regions (**1975)**.

The SEA lays the basis for a genuine CP designed to offset the burden of the single market for southern countries and other less favoured regions (**1986)**. The European Council in Brussels in February 1988 overhauls the operation of the solidarity Funds (now referred to as the SF) and allocates ECU 68 billion to them (at 1997 prices) **(1989-93)**. The Treaty on EU, which came into force in 1993, designates cohesion as one of the main objectives of the Union, alongside economic and monetary union and the single market. It also provides for the creation of the Cohesion Fund to support projects in the fields of the environment and transport in the least prosperous MS (**1992)**.

The Edinburgh European Council (December 1993) decides to allocate almost ECU 177 billion (at 1999 prices), one third of the Community budget, to CP. Alongside the SF, a new Financial Instrument for Fisheries Guidance is created (**1994-99)**. The Treaty of Amsterdam confirms the importance of cohesion and also includes a Title on Employment which stresses the need to work together to reduce unemployment (**1997)**. The Berlin European Council (March 1999) reforms the SF and adjusts the operation of the Cohesion Fund. These Funds will receive over €30 billion per year between 2000 and 2006, i.e. €213 billion over seven years. The Instrument for Structural Policies for Pre-accession (ISPA) and the Special Accession Programme for Agriculture and Rural Development (SAPARD) complements the PHARE programme to promote the economic and social development of applicant countries in Central and Eastern Europe (**2000-2006)** (EU, 2010).

2.6.1 European Agricultural Guidance and Guarantee Fund

European Agriculture Guidance and Guarantee Fund (EAGGF) is divided into two sections: the Guarantee Section finances price support measures, export refunds to guarantee farmers stable prices, while the Guidance Section grants subsidies for rationalisation schemes, modernisation and structural improvements in farming as well as measures of rural development (EC 2004, p.23).

The EAGGF finances rural development measures such as investments in agricultural holdings (modernization, reduction in production costs, product quality, etc.), aids for the setting up of young farmers and vocational training, processing and marketing of agricultural products, and development of rural areas through the provision of services, encouragement for tourism, etc. (Penalver 2004, p.4).

Aims of EAGGF) are:

a. Helping preserve the link between diversified farming and the land.
b. Improving and supporting the competitiveness of agriculture as a key activity in rural areas.
c. Ensuring the diversification of the economy in rural areas.
d. Preserving and improving the environment, the landscape and the rural heritage (NDP 2001, P.6).

2.6.2 European Social Fund

The purpose of the ESF is to strengthen economic and social cohesion "by improving employment and job opportunities, encouraging a high level of employment and more and better jobs. It shall do so by supporting MS' policies aiming to achieve full employment and quality and productivity at work, promote social inclusion, including the access of disadvantaged people to employment, and reduce national, regional and local employment disparities" (Salmon 2008, p.155).

European Social Fund (ESF) provides financial assistance for vocational training, work experience and placement schemes, training of teachers, trainers and public officials, employment counselling and job search assistance, employment aids and childcare facilities, schemes for developing or improving in-company training systems and structures, as well as research projects which anticipate and help plan for future workforce needs (EC 2004, p.27). The ESF is meant to focus on employment, social inclusion and tackling discrimination (Persson 2007, p.4).

The resources were designated to co-finance development programmes, the so-called Community Support Framework (CSF). These programmes are subdivided into operational programmes for particular regions or specific policy areas (e.g. education policies) and consist of single projects (e.g. power stations, railroad projects) or support schemes (e.g. investment aid schemes for small and medium enterprises, for innovative investments, for training activities (Tondl 1995, IEF Working Paper Nr. 9).

The ESF finances projects in the labour market that improve skills (human capital) and access to employment opportunities and social integration. It is again allocated on a regional basis (House of Lords, 2008, p.13).

Aims of ESF are:

a. To increase the adaptability of workers and companies
b. To improve access to employment opportunities for job-seekers and inactive people, to prevent unemployment, to extend working-life and increase the participation of women and immigrants
c. To reinforce social integration of those with problems and to fight discrimination
d. To promote reforms in the employment and integration sectors, giving incentives to partnerships and pacts through the setting up of national, regional and local networks (Orlando, 2008 p.13).

According to the paper prepared by European Commission (2004), the main priorities for action are:

a. to combat long term unemployment and exclusion from the labour market
b. to develop the professional skills and qualifications of potential job seekers
c. to promote equal opportunities in the labour market
d. to foster the creation of new jobs
e. to pre-empt unemployment by adapting workers to industrial change
f. to improve education and training systems (EC, 2004).

ESF helps developing employment by promoting employability, the business spirit and equal opportunities and investing in human resources (NDP 2001, p.6).

2.6.3 European Regional Development Fund

The European Regional Development Fund was established as an embryonic RP with a limited budget. By establishing it, the EU aimed to redistribute part of the MS' budget contributions to the poorest regions. Of course, at the beginning of EU, ERDF was considered to help Union's poorer regions instead of increasing cohesion because until the first enlargement of in 1973 with Britain, Denmark and Ireland, the regional disparities were not that striking.

At the beginning of the 1970's, Community RP was firmly on the EC agenda. Following the consideration given to regional problems in the context of agricultural policy reform, 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 MS 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 (Manzella 2009, p.8).

In 1975, following the first enlargement, the main instrument of EU RP was established with the creation of the European Regional Development Fund (ERDF) which was meant to address the increased problem of regional imbalances (Tondl 2004, p.5).

European Regional Development Fund was established as one of the main financial instruments of European structural policy, aiming at harmonising and improving common and community policies in the underdeveloped regions (Szegvari 2004, p.6). ERDF shall contribute to the financing of assistance which aims to reinforce economic and social cohesion by redressing the main regional imbalances through support for the development and structural adjustment of regional economies, including the conversion of declining industrial regions and regions lagging behind, and support for cross-border, transnational and interregional cooperation. In so doing, the ERDF shall give effect to the priorities of the Community, and in particular the need to strengthen competitiveness and innovation, create and safeguard sustainable jobs, and ensure sustainable development" (Salmon 2008, p.155).

Under the ERDF financial assistance for disadvantaged regions is mainly targeted at:

a. supporting small and medium-sized enterprises
b. promoting productive investment
c. improving infrastructure
d. furthering local development (EC 2004, p.25).

The European Regional Development Fund was established as an embryonic RP with a limited budget. By establishing it, the EU aimed to redistribute part of the MS' budget contributions to the poorest regions (Oktayer 2007, p.120). The ERDF aims at encouraging regional development, economic change, enhanced competitiveness and territorial co-operation throughout the EU (Persson 2007, p.4).

ERDF helps redress the main regional imbalances in the Community by participating in the development and structural adjustment of regions whose development is lagging behind and the economic and social conversion of regions (NDP 2001, p.6).

This fund subsidizes actions aimed at improving the productive capacity of the poorer regions. Infrastructure provision has been the dominant component of ERDF expenditure, particularly in Spain (Fuente and Vives 1995, p.35).

ERDF provides funds with respect to the following objectives:

1. "CONVERGENCE"

a. Innovation and economy based upon knowledge (RST, technology transfer, innovation in SMEs
b. Environment and risk prevention
c. Tourism
d. Transport network/TEN, energy network and renewable energy, investments in education and health
e. Direct aid to SMEs

2. "REGIONAL COMPETITIVITY AND EMPLOYMENT"

a. Innovation and economy based upon knowledge (RST, technology transfer, innovation in SMEs)
b. Environment and risk prevention (regeneration of polluted areas NATURA 2000; promotion of energy efficiency and renewable energies)
c. Access to transport and telecommunication services of general economic interest outside urban areas (Orlando 2008, p.11).

The ERDF of the mid-1980s can best be summarised as a complex political instrument involving highly contested objectives and illustrating characteristics of the 'garbage can' scenario identified by Cohen, March and Olsen (Cohen, March and Olsen 1972, pp.1-25).

2.6.4 Financial Instrument for Fisheries Guidance

Financial Instrument for Fisheries Guidance (FIFG) applies to coastal regions, its main task being to increase the structural competitiveness of the fisheries sector and to develop viable business enterprises in the fishing industry (EC 2004, p.29).

Some measures such as the promotion and identification of new markets as well as other initiatives undertaken by the industry could also benefit from support. Following the reform of the Common Fisheries Policy in December 2002, the main focus of the FIFG is the scrapping of fishing vessels (EC 2004, p.29).

Aims of FIFG are:

a. Helping achieve a sustainable balance between marine resources and their exploitation.
b. Modernising fishing structures to ensure the future of the industry.
c. Helping maintain a dynamic and competitive fishing industry and revitalise areas dependent on fishing.
d. Improving the supply and exploitation of fishery products (NDP 2001, p.6).

2.6.5 Cohesion Funds

The Cohesion Fund was formally established by Regulation (EC) 1164/94 of the European Council on May 14, 1994. The Regulation states that the activities of the Cohesion Fund will complement those of the SF, the EIB and other funding instruments in assisting the less affluent among the MS.
During the period 1994-1999, Cohesion Fund co-financing was approved for 174 projects (130 environmental projects, 44 transport projects) and 1 project of technical assistance (Greek Ministry of Economy and Finance General Secretariat of Investments and Development CSF Managing Authority 2005, p.11).

The Cohesion Fund was established in 1993 in the Treaty of EU for those countries with relatively weak economic performance (Szegvari 2004, p.7). This fund applies only to MS with a Gross National Income (GNI) of less than 90 percent of the EU average, and covers the new MS as well as Greece and Portugal. Spain will be eligible for the Cohesion Fund on a transitional basis. The Cohesion Fund invests in the environment and trans-European transport Networks (Persson 2007, p.4).

Cohesion fund is the second biggest item in the Union budget, making up about one third of total expenditure. During the 2000-2006 periods, the Agenda 2000 package allocated a total of E 213 billion to CP. E 195 billion of this was allocated to the SF and E 18 billion to the Cohesion Fund which targets Greece, Spain, Ireland and Portugal. CP in which Cohesion Fund is allocated is not merely about the redistribution of funds between the rich and the less well-off. It is all to do with investment – modernising the European economy, promoting growth and sustainability and producing beneficial spill-over effects. It is about investing in innovation, human capital and modern infrastructure (Hübner 2005, p.2).

This fund no longer functions independently but participates in the Convergence objective. The Fund is subject to the same programming, management and control rules as the SF. The Fund continues to promote trans-European transport networks and the protection of the environment but its priorities have been widened to those: "which clearly present environmental benefits, namely energy efficiency and renewable energy and, in the transport sector outside the trans-European networks, rail, river and sea transport, inter-modal transport, new directions in European RP and their implications for Spain 155 systems and their interoperability, management of road, sea and air traffic, clean urban transport and public transport" (Regulation 1084/2006, Article 2, 1) (Salmon 2008, p.155).

The Cohesion Fund finances developments in transport networks which have been identified as priority projects by the EU; projects related to the environment; and energy and transport projects with clear environmental benefits. It is allocated at the Member State level, with finance from the Fund conditional on compliance with the Stability and Growth Pact requirement of not running an excessive public deficit (House of Lords 2008, p.13).

While the Cohesion Fund's objectives broadly support the goals of structural policy, the fund is different from SF (EC, 1996/1c). Eligibility for Cohesion Funds is based on absolute rather than the relative criteria of SF (Szegvari 2004, p.7).

2.6.6 Efficiency of Structural Funds

During the past fifteen years, income differences across EU MS have fallen, but inequalities between regions within these countries have risen. At the same time, in this process two important questions has arisen, one of them is the effects of a closer integration on regional disparities and the second one is the efficiency of RP and structural funds. The common idea is that a greater integration may require more regional convergence, and it forces to reduce disparities between centre and periphery.

What is important is not only the amount, however considerable, of resources devoted to regional aid, but also the allocation criteria adopted by the EC for the distribution of SF. According to these criteria, the distribution of Funds should be inversely proportional to the development degree of the regions. It is, however, possible that what does the EC plan is then lost in the bargaining process within and between countries of the EU (Basile, Nardis and Girardi 2001, p.22).

When the total cost of the projects is considered the "fair distribution" observed at European level falls short. The amount of resources committed by national and local authorities generally varies according to the Objective (Objective 1 implies a larger European co-financing and thus the national intervention is lower than for other Objectives), the kind of project and the aid modality (tax allowances for private firms' investments or direct financing of the infrastructure construction). In many cases, the global amount of the national resources financing exceeds the Union co-financing (Basile, Nardis and Girardi 2001, p. 23).

Reviewing literature, it is seen that there are some doubts about efficiency of SF. There are two factors behind these doubts in that sense. First comes the remarkable stability of the regions eligible for Objective 1, as 43 of the original 44 regions that qualified for the Objective in 1989 remain in it 14 years after the reform. Only Abruzzo in Southern Italy managed to come out at the end of 1997. Four other original regions (Corsica, Lisbon and the Tagus Valley, Molise, and Northem Ireland), plus parts of the Republic of Ireland, were phased out of the Objective and lost their support at the end of 2006. The second factor behind the scepticism over the capacity of European regional policies to deliver has been the lack of convergence across European regions since the implementation of the reform of the SF (Oktayer 2007, p.126).

The MS which have more needy regions are no longer capable of influencing the policy because the claim that they would not be able to achieve competitiveness due to their exposure to the side effects of the single market could not preserve its strength and validity after the establishment of single market (Ada 2009, p.26). EU regional support has a significant and positive impact on the growth performance of European regions. Moreover, there are signs of a change in the impact of this support in the 1990s, indicating that the major reform of the SF undertaken in 1988 may have succeeded in making EU RP more effective (Cappelen et.al, 2003, p.621).

The evaluation of the CP’s efficiency is shown in Table 2.2.

Table 2.2: Evaluation of the CP’s efficiency

Aspects	Positive	Negative
Results	Strengthening GDP growth Increasing employment	Failure in reforming the economic space The most supported regions could not change their lagged behind status
Reasons	Larger subsidies for underdeveloped regions Setting proper goals	Sources are not sufficient Utilization of funds is not sufficient (development of human resources and education are among the less preferred areas) Interventions are not region-specific enough
Other Effects	Consolidating democracies Increasing welfare Preventing from exaggerated migration Creating a more precise planning and evaluating practice Preparing analyses and evaluations Additional sources Learning process	Money-go-round (support of developed member states from their own contributions) Inflexibility Excessive complexity Financial burden of sustaining institutions

Source: Balaz, L., 2010. *Performance and Effectiveness of the CP: Evaluation of the Allocation Mechanisms.* University of Pécs, Faculty of Business and Economic.

Several studies have been conducted to analyse the relationship between European structural policy and convergence of MS by economists. Some of them are negative on convergence within the EU while but some of them have positive findings on convergence. Shortly, there are some conflicting views in that sense.

Beugelsdijk and Eijffinger (2005) studied emprically on the effectiveness of structural policy in the EU for the old 15 MS. In this study, convergence of the old MS was tested for the period 1995-2001 by touching on the problem of moral hazard. They conclude that, SF indeed appear to have had a positive impact, and poorer countries like Greece appear to have caught up with the richer countries. Secondly, according to their results, users of SF in some cases are not really eligible and may therefore use the funds inefficiently (Oktayer 2007, p.126).

In assessing the effect of the cohesion fund on economy of Greece and Spain, it is generally looked at the trend of their respective gross domestic product growth rates. Another important economic and social indicator that has changed greatly since 1988 is unemployment. Spain and Ireland are the countries which have made good progress in that sense. Unemployment rates in Spain and Ireland were close to one-fifth of working population in pre-1988 period.

But now, while unemployment rate is close to EU average in Spain, Ireland has an unemployment rate significantly lower than the average. On the contrary, Greece has experienced increases in unemployment from 1998.

Unemployment levels peaked in 1999 at 12 % and then have remained at 2.5 percentage points above the EU average. Therefore, it is clear that the social situation in the countries and regions benefiting from CP has not deteriorated as a result of market integration and economic growth and on most indicators it has improved significantly since the beginning of the policy (Oktayer 2007, p.123).

For analysing the effectiveness of the SF in stimulating growth, it is important to realise (i) that the SF can be seen as an income transfer, (ii) the SF have to be co-funded by the receiving country, and (iii) that the funds often have to be spent on pre-specified projects.

3. REGIONAL POLICY AND TWO MEDITERRANEAN COUNTRIES

3.1 REGIOANAL POLICY AND SPAIN

3.1.1 Spain before Accession and Regional Policy in Spain

The Spanish Constitution of 1978 set up 17 autonomous regions. In general, the specificities of the various historical and political identities were respected. The Autonomous Communities have vast powers, excluding strictly federal powers retained by the state. They all have an executive and a parliament with broad legislative powers (Maria 2007, p.9).

In 1986, Spain was admitted to the European Community, and the first thing Spain had to do is to remove tariff barriers in seven years because Spain put protectionist measures, which detached Spanish industry from international competition for a long time. The Spanish public sector was, in the 1970s, one of the smallest in Europe. A White Paper published by the Spanish government in 1983 set out the strategy for modernisation, basing it upon a two-pronged attack, on productivity and on the promotion of investment and technological innovation in those activities which showed good potential for the future. Spain stayed a long time under highly centralized authoritarian administrations and it was isolated from international world, however; it carried out a political and territorial pluralism with ever-stronger links to Europe. Certainly, political stability and economic growth have so far favoured Spanish integration into the Community. Statutes of autonomy fall into two main categories, special and general. The former covers the three national minorities—the Basque Country, Catalonia, and Galicia—together with Andalusia, which have 'full' autonomy statutes ratified by referendum.

Implementation of RP encouraged the Spanish people to take account of requirements for accession to Community and of the decentralization of the State. In Spain all the regions are below the Community average, moreover; there are extensive internal disparities: between the industrialized north and the agricultural south; and between the more accessible and populated east and the west, which has a weaker infrastructure and is removed from the great axes of economic development.

One of the main aims of Spain government after accession was to raise per capita income to the EU average. Depending on this, of course, to make faster economic growth, to bring opportunities for job creation and to increase employment rates were the other priorities that Spain government gave importance. Spanish regions under objective 1 especially have focused their efforts on getting over the lack of infrastructure.

In 1985, the Spanish per capita income stood at around 69 per cent of the EU average; while the EU unemployment rate was 9.9 percent, Spain had 21.6 percent unemployment; the EU employment rate was 59.8 percent, and the Spanish rate was 44.1 per cent (Farrell 2001, p.7). Nevertheless, EU RP played an increasingly important role in the efforts to bring about regional convergence.

The First Report on Cohesion, published by the European Commission in 1996, noted that the four Cohesion Fund countries had experienced an increase in their per capita income during the period 1983–95 from an overall 66 per cent of the EU average to 77 per cent of the European average. In the Spanish case, per capita income rose from 70.5 per cent to 76 per cent of the average for the EU as a whole.

However, at the regional level, large disparities continued to exist during this period. In 25 poorest regions of the EU (which included the three Spanish regions of Extremadura, Galicia and Andalucía), per capita income increased from 53 per cent to 55 per cent of the European average. Unemployment among the European regions showed no sign of reduction, and in the Spanish case the spatial pattern of joblessness has proved to be particularly acute.

Spain received 55 per cent (1576 MECU) of the Cohesion Funds to finance projects in transport infrastructure and the environment. In 1997, Spain was the largest net beneficiary of the EU budget, receiving a net 5.54 million Euros (1 euro = 166 386 pesetas). Throughout the 1960s and 1970s, among the regional development, measures adopted by the government were incentives to foster the creation of industrial zones, development poles and special preferential areas. The principal regions targeted for development under RP were Extremadura, Galicia, Andalucía, Castilla-La Mancha, and Castilla y León (Farrell 2001, p.123).

The gap between the Spanish economy and that of the rest of the EU (EU) reached its lowest point in 1975. In that year, Spanish GDP per capita measured in purchasing power standards was at levels of 79 percent of the EU average. High economic growth in the 1960s and early 1970s had led to a rapid catch-up with the rest of Western Europe. However, from 1975 onwards and coinciding with the first oil shock, convergence with Europe came almost to a standstill. Two economic sub-periods are evident in the following years. First, between 1975 and 1985 the Spanish economy underwent a rapid relative decline. The gap with the EU in per capita GDP widened, and by 1985 Spanish per capita GDP represented only 70 percent of the average of the EU, almost 10 percentage points below the level 10 years earlier. After 1985, and coinciding with Spain's entry into the European Community, the Spanish economy has once again experienced a relative catch-up. This process of convergence was strongest during the period of economic expansion between 1985 and 1991.

Since then Spain has maintained its relative position at levels around 77% of the EU average, still below 1975 rates. It is somewhat ironic that the slowdown in convergence across Spanish regions has precisely taken place when more efforts are being made to tackle regional disparities (Rodríguez-Pose 2000, p.90).

Inter-regional economic disparities are exist still in Spain, and it seems that it is not possible to reduce these disparities with the existing policies. From 1995-2005, Madrid registered an annual average growth rate of 3.7 percent, above Spain's 3.3 percent".

Recent polarisation has been associated with continued physical and structural integration of the national economy, globalisation, and the transformation of Madrid from a national capital to more of a world city (Salmon 2008, pp. 147-177).

Moreover, at the beginning of 1990s most of the economic disparities continued to exist. However, two important developments caused the convergence to be speed up. One of them is doubling of SF in Maastricht Treaty in 1988 and the second one is establishment of Cohesion Fund in 1994. These improvements also provided the EU with practical instruments to achieve one of the fundamental objectives (reduction of disparities between richer economic and social and poorer regions) set out in the SEA.

3.1.2 Changes resulted from Regional Policy in Spain

CP is constructed by the EU to increase the power and efficiency of RP, and convergence is a main policy objective of CP, and generally it is measured according to Gross National Income (GNI) per capita (Salmon 2008, pp. 147-177). In Spain, historical evidence dating back to 1960 describes a path of convergence interrupted by reversals, notably in the early 1980s and early 1990s.

Greece, Spain, Portugal and Ireland whose per capita incomes were significantly below the EU average during the 1990s are those referred to as "cohesion countries". If we compare the average growth rates of cohesion countries with the EU average, it is clear that almost all four countries have succeeded in catching up. However, the experience of these countries in this period is very different. In terms of GDP growth, the EU average for the 1988-2004 periods is 2.1 percent. In the same period, Spain began to grow at better than expected rates from the outset of the CP (Oktayer 2007, p.124). By inspection of the estimated country dummies, we observe that there are three countries with growth rates that deviate from the average: Portugal and Spain grow significantly faster (Cappelen 2003, p.631). Appears that Portugal and Spain, have benefited a good deal from their integration into the EU (Cappelen 2003, pp.639-640).

The overall contribution of public investment to income convergence has been very small, accounting for only 1% of the observed reduction in inequality during the 1980s (Fuente and Vives 1995, p.39). In the years that followed (1985–87), average regional support increased to 0.4 percent, largely because the Community now had two relatively poor new members (Spain and Portugal), who both qualified for extensive regional support (Cappelen, 2003, p.628). Spain has narrowed the gap with the rest of EU-27 in terms of gross domestic product (GDP), moving from 92 percent to reach 106.8 percent of the Union average GDP per head between 1995 and 2007. Growth in GDP per head was on average 0.5 percentage points a year higher than the EU average between 1995 and 2006 (EU 2010, p.1).

Accession of Spain to EU has had important results for the regions. Their institutional position has been weakened by transfer of internal power the EU without making any agreement with central government. Regions have also had to make changes their own government structure so that they can implement the EU policies and apply and use the SF. Firstly, transfer of sovereignty in Spain has had negative effects on the constitutional position of the regions since they do not participate directly in the Community decision-making. This affects many areas, especially after the coming into effect of the SEA: finance, agriculture and fisheries, industry, economic and spatial planning, transport, research, the environment, and consumer affairs (Morata 1995, p.116).

The distribution of functions in Spain is based on two lists. Under section 148.2, all autonomous communities can take responsibility for: the organization of regional administration, local administration, urban planning, housing, public works, environment, social services, culture, tourism, small business and crafts, agriculture, fisheries, communications, and regional development. Those with full autonomy can take on education and health. However, section 149.1 gives the central State the power to set basic legislation or norms in a range of these fields, including agriculture, banking and credit, health, education, economic planning, employment (Morata 1995, p.116).

Meanwhile, there have been so many changes in regional development of Spain. The increasing autonomy of Spanish regions gives both opportunity and responsibility to provide leadership and direction, and to turn aspirations into hard reality. The renewal of special status as an ultra-peripheral region within the European Community provides an opportunity for European level support and a distinctive identity, while the Bologna agreement provides necessity and leverage for change in higher education that can be used to advantage (Duke 2005, p.3). The regional phenomenon has made huge advances over the past thirty years in Spain (Maria 2007, p.11). Spain has been able to develop from a level of roughly 90 per cent of the GDP per head indicator at the beginning of the 1990s up to 102 per cent in 2008 (House of Lords 2008, p.92).

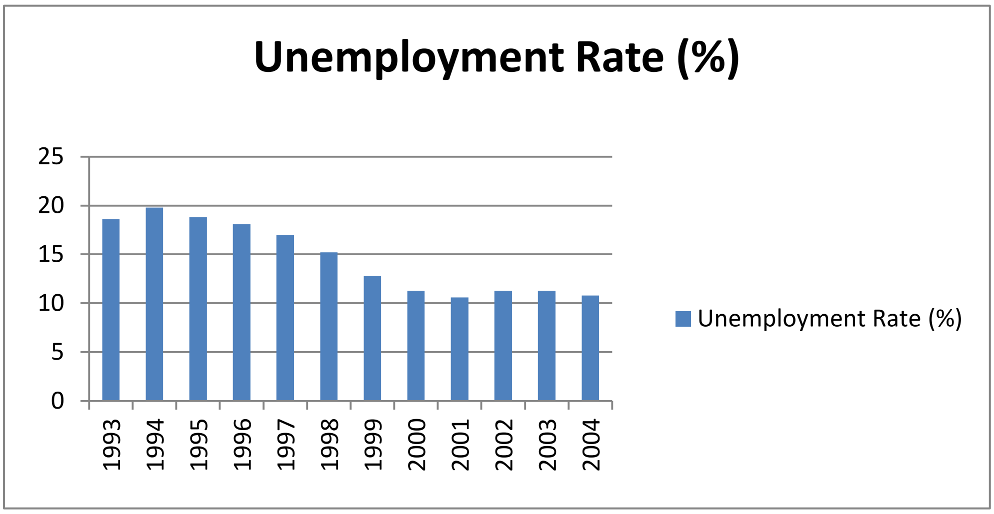
According to the study of Cappelen et. al. (2003), EU Regional Support as percentages of GDP between the years 1989-1993 in Spain are as follows: Objective 1: 0.560, Objective 2: 0.071, Objective 3: 0.037, Total EU: 0.667, National: 0.537, Private: 0.306, sum: 1.510 (Cappelen 2003, p.628).

Achievements regional policies up to 2006 are as follows:

a. 1.2000 km of new roads and motorways (2000–06)
b. An extension of some 850 km to the Spanish high-speed rail network (2000–06)
c. 377 000 people received support as part of self-employment and social/economic activities (2000–05)
d. Renovation of 2 000 km of water pipelines and construction of 600 km of new pipelines (2000–06)
e. An investment of around €4 billion on R&D and innovation (2000–06) (EU 2010, p.1).

By the way, when Spain joined single currency in 1999, it met all criteria set out in Maastricht Treaty, however; on the basis of employment Spain failed to reach to average of EU. The EU share of employment in industry was 29.5 per cent in 1998, compared to the Spanish share of 30.4 percent; in services, the EU share was 65.7 per cent, and for Spain 61.7 per cent. Meanwhile, although the percentage is still under Europe in employment, generally there has been a decline in unemployment rates. According to Oktayer (2007), total unemployment rates in Spain at 1993-2004 period are: 18.6 percent in 1993, 19.8 percent in 1994, 18.8 percent in 1995, 18.1 percent in 1996, 17.0 percent in 1997, 15.2 percent in 1998, 12.8 percent in 1999, 11.3 percent in 2000, 10.6 percent in 2001, 11.3 percent in 2002, 11.3 percent in 2003 and 10.8 percent in 2004 (Oktayer 2007, p.125).

Below graph shows decline at unemployment rate in Spain as a cohesion country.



Graph 3.1: Unemployment Rate in Spain as a Cohesion Country (1993-2004).

Between 2000 and 2005, over 377 000 people received support for activities linked to self-employment and the social economy, which includes housing, childcare, training and skills development. Almost 2.5 million people received support in the form of continuous training. Between 1995 and 2004, CP co-financed over 1 200 km of roads and motorways, saving an estimated 1.2 million hours of travel time a year. The Spanish high-speed train network was extended in the period 2000–06 with connections linking Lleida-Tarragona-Barcelona, Cordoba-Málaga and Madrid-Valladolid (some 850 km in total). Between 2000 and 2006, 2 000 km of water pipelines were renovated and 600 km of new pipelines constructed, serving some 2.6 million people (around 6 percent of the Spanish population). In addition, between 1995 and 2005, the construction or enlargement of 57 water treatment plants increased the coverage among the population of urban agglomerations from 41 percent to 77 percent, http://ec.europa.eu/regional_policy).

Finally, no later than the end of 2010, 13 newly built or improved desalination plants will provide an additional 850 Hm^3 (= 850 billion litres) for both human and agricultural consumption. Between 2000 and 2006, expenditure from the SF amounted to around €4 billion in Spain on Research & Development (R&D) and innovation, together with the information society (EU RP in Spain, http://ec.europa.eu/regional_policy).

One of the most important projects of railway transports in Spain is the high-speed train Madrid-Barcelona-French Border (AVE). The Madrid- Zaragoza-Barcelona line was inaugurated on 20 February 2008, after parts of the line had been in operation since 2003 (Madrid-Zaragoza-Lleida) and 2006 (Lleida-Tarragona). Construction is currently underway to connect the new high-speed line from Barcelona to the French TGV network via the Perthus tunnel under the Pyrenees. The high-speed train Madrid-Barcelona (AVE) is currently one of the world's fastest long-distance trains in commercial operation, with non-stop trains covering the 621 km (386 miles) between the two cities in just 2 hours and 38 minutes (speeds up to 300 km/h). With this line, Spain took a decisive step for the interoperability of its high-speed network, as well as the improvement of connectivity within different areas of the Spanish territory and between Spain and Europe (EU RP in Spain, http://ec.europa.eu/regional_policy).

In terms of impacts on convergence with the EU, Hermin Model estimates that around a third of the convergence witnessed between Spain and the EU15 between 1989 and 2006 (from 74.3 percent to 89.4 percent of the EU15 average) can be attributed to the impact of the SF. The HERMIN-Spain model has been used to estimate the regional impacts of the Objective 1 CSF 20, and has been adopted in order to allow its application to specific Objective 1 regions (e.g. Andalucía and Castilla-La Mancha) and certain Objective 2 regions (e.g. Madrid). For example, for the 1989-2006 period, it is estimated that the SF made a contribution to annual real output growth of 0.02 percent in Madrid 21, contrasting with 0.64 percent in Castilla-La Mancha over the 1989-99 period where much higher levels of funding have been received (Yuill, Murillo, Delgado and Mendez 2009, p.65). Notable projects have included a national renewable energies centre in Navarra, a stone technology centre in Andalucía, and the high-speed train link between Madrid, Barcelona and the French border, which has greatly enhanced land freight over air transport and thus been key in reducing carbon dioxide emissions (EU 2010, p.2).

However, some authors criticise the implementation of cohesion fund, and they claim that the RP could be implemented more effectively and thus it would be more successful.

For example, Villaverde Castro states that despite the fact that Spain has been in receipt of large Cohesion fund between the years of 1995-2007, and despite some of the poorer regions growing above the Spanish average there has not been a marked degree of convergence or a re-ranking of the poorer regions. The concentration of European resources on the poorer regions appears to be insufficient to overcome the structural factors shaping national development (Villaverde Castro 2007, pp.34-46).

Since the SEA and the SF Reform in 1988, structural politics had increased weight in the community budget, reaching one third of the budget. The financial support received by Spain during 1989-93 reached 8.275 million euro. In the following CSP period (1994-99), this amount reached 20 million euro. The biggest relative weight came from ERDF (more than 75 percent), followed by the EAF-Section Guide, and then the ESF. Their prevalence comes from the precept in the SEA which states that the ERDF must be concentrated on lagging areas that are structural backward (Garcia 2003, p.80).

According to government figures the allocation of cohesion funding to Spain in the 2007-13 period is around 50 percent less than in the previous funding period (2000 to 2006), around 43 per cent less through the SF (although for 2007-13 this excludes rural development and fisheries funding) and 74 percent less through the Cohesion Fund. For the 2007–13 period, Spain has been allocated more than €35 billion in total: €26.2 billion under the Convergence Objective (€3.5 billion from the Cohesion Fund), €8.5 billion under the Regional Competitiveness and Employment Objective and €559 million under the European Territorial Cooperation Objective (EU 2010, p.2). For 2007-2013, Spain has been the EU’s second largest beneficiary. In line with the Lisbon Strategy’s overarching goals, Spain is investing heavily into research, innovation and the information society (EU 2010, p.2).

For the programming period 2007-13, Spain has substantially refocused CP priorities from physical infrastructure in transport and environment towards the core Lisbon objectives, notably in the areas of research, innovation and the information society (EU 2004, p.2).

2007-2013 priorities are:

a. EUR 12 billion towards R&D, innovation, entrepreneurship, transport and the environment.
b. EUR 7.5 billion for poorer regions and remote areas.
c. EUR 4 billion for water management and distribution and for waste water treatment.
d. EUR 3.6 billion towards attracting more people into jobs, including women, and keeping them in employment.
e. EUR 860 million for activities undertaken by the social partners, notably to improve the adaptability of workers and enterprises.
f. EUR 741 million on the information society.
g. Some EUR 461 million towards energy efficiency and alternative energy sources.
h. EUR 218 million towards the integration of migrants (EU, 2004, pp.1-2).

Regions such as Asturias and Murcia, plus the city regions of Ceuta and Melilla would have qualified under the convergence criteria (with GNI per capita below 75 percent) Spain is also eligible for Cohesion Fund transitional support, based on the statistical effect of enlargement. In total, the European Commission estimates that 16.3 million people in Spain will be living in Convergence regions (37 percent of the total compared with 59 percent in Objective 1 regions 2000-06; European Commission 2008).

Meanwhile, regional disparities in Spain are now much less important than they were forty years ago. Nevertheless, they remain today a central economic and political topic. Because, first and foremost Spain’s most developed regions like Pais vaso and Madrid have a GDP per capita that, in 2004, nearly doubles that of the poorest region Extremadure. Second, regional convergence has been completely halted in Spain (Gürleyen 2008, p.7). It is evident that in Spain Cohesion funding has contributed to strong growth and to real economic convergence with the EU both at the state and the regional level, but there has been less success in reducing inter-regional disparities (Villaverde Castro 2007, pp.34-46).

Also, from a structural point of view, Galicia and Navarre are relatively diversified regions. In 1995, more than half of the total value added of both regions was generated by the service sector. Galicia – partly due to the size of its fisheries – had a larger primary sector, whereas the weight of the industrial sector in Navarre was relatively more important. However, differences increase when employment instead of gross value added is taken into consideration. Having almost 25 percent of the active population employed in agriculture, forestry and fishery (in 1995) makes Galicia the most agricultural region in Spain. Navarre, on the other hand, had a rate of employment in agriculture below the Spanish average, but its level of industrial employment, which hovered around 35 percent of the active population between 1980 and 1995, was twelve points above the 1995 Spanish average. Of course, there are a series of other greater dissimilarities. Accessibility to markets is different. Galicia, located in North-western Spain and surrounded by mountains to the East and by the sea to the North and West, has been relatively inaccessible in comparison to Navarre, which enjoys a more convenient location for European markets along the Paris-Madrid axis (Rodríguez-Pose 2000, p.93).

With the exceptions of recent years, Galicia's growth has generally been below the Spanish average. An important cause for this poor performance was the agricultural sector. However, Navarre performed slightly better than the Spanish average in the 1980s and early 1990s, although the depression of the early 1990s affected the region to a greater extent than the rest of Spain. The years which followed Spain's entry in the EC were particularly favourable for industry in Navarre. The metal products, machinery, equipment, and electrical goods, and the transport equipment sub-sector reaped the greatest benefits (Rodríguez-Pose 2000, p.93-99).

It is obvious that although there is little difference between the regional developments strategies pursued by these two regions, there are differences in their growth rates. The reason of this is that success of regional development strategies depends on a series of factors which are often difficult to ponder. Geography, accessibility, economic and social structure, skills, institutions, politics and culture determine, to a greater or lesser extent, the success of development strategies.

So that the funds would be more effective, the Spanish government has constituted new plans. The new system for the financing of the 15 regions under the common regime starting in 2002 was agreed in the meeting of the CPFF on 27 July 2001. It replaces the previous five-year arrangement by a permanent system on the basis of two main changes: the central government increases its transfers and the regions receive a higher share and more legislative powers in taxation (Davies and Hallet 2001, p.56). Similarly, on 3 October 2008, the EIB and the regional government (Xunta) of Galicia concluded an agreement establishing the terms of cooperation for implementing the JESSICA programme in Galicia (EIBG, 2008, p.5). The Interregional Compensation Fund (*Fondo de Compensación Interterritorial*; FCI) provides the regions with funds which are earmarked for investment in productive and social infrastructure which help to reduce regional income disparities (Davies and Hallet 2001, p.57).

Fiscal decentralisation has devolved many tasks to the regional governments which require, on the other hand, strong efforts of co-ordination at the central level in order to maintain a coherent policy (Davies and Hallet 2001, p.49). Spain has taken several measures to improve the functioning of its product markets, the knowledge-based economy and capital markets (Davies and Hallet 2001, p.51).

3.1.3 Discussion of Efficiency of Regional Policy in Spain

In Spain there are winning regions everywhere and every region has developed but to different extents, and there are some that have been winners more than others. What is obvious is that the strongest regions, like Catalonia, Madrid, the Basque countries, which are the strong pillars of Spanish growth, have grown more than others, and it still has regions, like Extremadura, which is a remote part in the south, which have development difficulties (House of Lords 2008, p.93). The impact of the ERDF is important for some regions even under the more conservative assumptions. In Andalusia, Asturias and Castile la Mancha, for example, EU funds have contributed between 1.5 and 10 points to the relative endowment of infrastructures (Fuente and Vives 1995, p.38).

Considering the institutional capacity of the emerging system of regional governance in terms of its ability to perform a set of functions that need to be performed in sustainable development is to be promoted effectively in Spain (Hanf and Torres 2007, p.24).

Spain has to have better cooperation with neighbours. In Europe today, economic success is often dependent on a region's capacity to develop networks with other regions. Cooperation and sharing experience between regions can be a key trigger in stimulating a dynamic, forward-looking regional development process. The EU has an important role to play in brokering and supporting such partnerships, both between regions within the Union, and with neighbouring regions outside (EU 2004, p.3).

Despite the fact that Spain has achieved a high rate of growth and converged in per capita income terms, she has experienced a marked regional divergence and that problem is to be solved (Martin 1999, p.5). Moreover, funds are to be used more for education in Spain. Although Spain's expenditure on education has already been comparable to the EU average for many years, it takes a long time in catching-up countries to build an educational level of its population which is comparable to other MS (Davies and Hallet 2001, p.44).

According to Davies and Hallet (2001), some urgent problems faced in Spain about use of cohesion funds are:

a. The tax-benefit-system as a whole is not particularly generous compared to the rest of the EU.
b. A specific problem with strong adverse effects on the functioning of labour markets is an inflexible housing market.
c. Process of devolving spending to regional governments was not accompanied by equivalent revenue-raising powers and had to rely on transfers from the central government
d. Several more specific problems appear on the revenue side of the regional and local budgets (Davies and Hallet 2001, p.46-57).

A survey was made in 1989 in Andalusia, Catalonia, Galicia, and Valencia. 10 Interviewees comprised 200 politicians and 100 regional observers drawn from chambers of commerce, trade unions, employers' organizations, professional bodies, cultural and environmental associations, and local government organizations. The people were questioned about four issues: the level of adaptation of the socio-economic structure; the foreseen impact of 1992; the opportunities for the development of new Community functions and instruments; and the introduction of new forms of transregional co-operation" (Morata 1995, p.122).

When the results can be analysed, it can be found out that there is a clear agreement in emphasizing low level of adaptation of regional economic structures to the needs of 1992. Generally all respondents accepted the extension of Community functions in all regions. However, according to analysis of observers, respondents reject the changes in European defence policy and they would like there must be a high level immigration control for non-EC countries.

Whether they are triggered by globalisation, constitute a response to citizens’ demands, represent a democratic reorganisation consistent with observance of minority rights in the new democracies, or result from European unification, regionalisation processes are undoubtedly under way, in the pipeline or the object of reforms in a number of MS, such as Spain (Maria 2007, p.17).

3.2 REGIOANAL POLICY AND GREECE

3.2.1 Greece Before Accsession and Regional Policy in Greece

When it is analysed, it can be easily observed that Greece had one of the most difficult regional-policy problems that the European Community has to face in the 1990s. The most important regional-policy problem for the EC in relation to Greece is the glaring economic disparity between Greece as a whole and the average prosperity of the Community. Moreover, the relative inequality of Greece has worsened in recent years: by 1990 it was the poorest EC member state. Individual regions in Greece are amongst the poorest in the Community, and some have slipped further behind the rest of the EC.

These regional disparities pose severe policy problems for both Athens and Brussels, with the onset of the single market and the prospect of EMU (Featherstone and Yannopoulos 1995, p. 251).

Meanwhile, unlike Spain, actually Greece is one of the most homogeneous societies in the EC, in every respect such as linguistics, religious and ethnic structure it has large majorities and few minorities. By the way, it is possible that most of the extreme disparities in Greece are intra-regional (e.g. inside Attica) rather than interregional (e.g. between Attica and Thessalia).

In order to lend support to the deepening of European integration, financial assistance programmes had to be created specifically to help Greece to adjust to European environmental requirements (Christopoulou, 2011, p.7). The role of the EC in promoting regional economic development in Greece has involved: (a) the allocation of a preferential share of aid under EC SF, boosting the strained resources of the Athens Government; and (b) the stimulus to domestic administrative reform to facilitate more effective regional planning, which has produced only modest changes as yet (Featherstone and Yannopoulos 1995, p. 260).

Greece especially received EU funds under the programme of Integrated Mediterranean Programmes, which was established in 1985. IMPs were based in two principles which challenged the traditional Greek administration system: subsidiarity and partnership. These two principles required decentralization and cooperation between whole administrative levels (EU, Central and Local). However, inflexible procedures and structures of the central bureaucracy and accounting system in Greece drastically undermined the effectiveness of the IMPs. In short, the IMP process was an exercise in central control and stifled local efforts.

The Public Investment Programme: Public Budget in Greece is being divided into two main parts; on the one side, there is the Regular Budget (RB) while on the other side, there is the Public Investment Programme (PIP). PIP involves credit inflows, national contributions and EU’s receipts. The PIP is the official receiver of the EU’s SF. Inside the PIP, there is also one more distinction, the one between the co-financed and national-financed projects.

The totality of the investments carrying out by the State, either through the Ministries or through the Regional administrative institutions, is financed by the PIP. PIP is also the main carrier and the ‘manager’ of the CSPs (1st, 2nd and 3rd CSF) and the major channelling mechanism for the SF. The reason for this, as it has already been noted, regards the character of the CP; in the epicenter of the latter, the production of public goods is located as well as the diminishing of the spatial economic and structural inequalities (Antonios 2006, p.5).

Another dimension under examination is the one of the distribution of resources. The resources of PIP are sub-divided in two categories: the first one regards the so-called national-funded projects; the second one concerns the co-funded projects. The latter includes all the projects absorb money from the EU’s receipts through the SF as well as money from the national section of the PIP (Antonios 2006, p.5).

The country is currently divided in thirteen NUTS II regions. The regions Central Greece, Attica and Southern Aegean, totalling 43 percent of the population, are the richest in Greece and have a GDP /capita higher than 75 percent of the EU-15. Four peripheral regions: Western Greece, Epirus, Eastern Macedonia & Thrace and Thessaly, totalling 22 percent of the population, have a GDP /capita equal or lower to 60 percent of the EU-15. The regions of Western Greece, Epirus, Eastern Macedonia & Thrace, are the poorest in Greece and are severely lagging behind. The remaining regions have a GDP/capita between 60-75 percent of the EU-15. [Index, EU15=100, 2002]
(Greek Ministry of Economy and Finance General Secretariat of Investments and Development CSF Managing Authority 2005, p.5).

In early years, investments were necessary for Greece, a country that entered the EU having the status of an industrializing country (Christopoulou 2011, p.8). Although Greece is geographically varied, regional disparities are not as pronounced as in other EU MS. Over time Greek RP has had to adapt to the requirements of EC RP, but the introduction of the principles of ‘subsidiarity’ and ‘partnership’ and the promotion of the integrated approach to planning has not easily fitted with the centralised and interventionist administrative tradition, the predominance of the state and the limited participation of social and private actors (Rees and Paraskevopoulos n.d., pp.179-180).

After being candidate of the EU, Greece GDP per capita is increasing significantly. Compared to Western European Countries, Greece ranks in the middle with its GDP per capita (Gürleyen 2008, p.10).

3.2.2 Changes resulted from Regional Policy in Greece

In Greece, the laborious and costly effort of regional growth which took place over at least two or more decades, did not lead, until today, to the lifting of impressive inequalities of economic, social and cultural characters, between the regions, and in particular between the country's administrative centre and its regions (Ladias and Stamatiou 2006, p.1). As a result, in Greece some programmes and institutions were established.

RP implemented between the times of 1984 to 1993 was first CSPs, and it is defined as allocation of available funds to small projects throughout the country. Through these projects, lots of economic activities were carried out and so many infrastructure buildings were built. As a result of this, living standards in rural areas was improved. Both CSF and Cohesion fund were used to develop technical infrastructure. Structural changes in public institutions gave way for competition in market economy in Greece. Import from Greece to South Eastern Europe countries improved cross border cooperation in some sectors such as energy and transport.

Doubtless, Integrated Mediterranean Programmes (IMPs) were true operational programmes and brought to Greece a very different planning reality. For the first time, planners at central and local level were faced with the task to translate vague goals into specific operational objectives, to design measures down to the project level that could lead to the achievement of such objectives, while the timely implementation of these measures were a prerequisite for absorbing substantial financial resources secured from the Community and national budgets (Plaskovitis, n.d., p.1).

The local tier comprises the prefectural councils (established in 1984), with directly elected prefects, along with municipalities and communities. A new regional tier was created, with the introduction of administrative regions in 1987 (headed by a government appointed representative assisted by regional councils) and its role upgraded in 1997 (Rees and Paraskevopoulos n.d, p.183).

Key Actors (institutions) in RP in the case-study Regions in Greece are: ROP Managing Authority; Regional Secretariat; Cyclades Prefecture; Dodecanese Prefecture; Cyclades Development Agency (Rees and Paraskevopoulos, n.d.., p.190).

For Greece, Portugal and Spain between 1994 and 1997 (the only countries in our sample eligible for support through the cohesion fund), EU regional support through objectives 1, 2 and 5b was between six and ten times that of support through the cohesion fund (Cappelen 2003, p.623). The macroeconomic environment has improved greatly since the entry of Greece in the EMU in 2001. GDP per capita (in PPS) rose to 81.7 of the EU-25 average in 2004, with an average annual GDP growth rate well above the EU-25 average. Regarding inflation, a great improvement was seen in 1999 and 2000. The harmonised index of consumer prices fell from 7.9 percent in 1996 to 2.1 percent in 1999 (EU-15 average: 1.2 percent) (Greek Ministry of Economy and Finance General Secretariat of Investments and Development CSF Managing Authority 2005, p.6).

Transport, environmental and social infrastructure is by far the most frequent and generously financed type of intervention throughout the examined period and in all regional programmes (Plaskovitis, n.d., s.13). The European Commission sees transport infrastructure improvements as playing ‘a key role in efforts to reduce regional and social disparities in the EU. Projects are eligible for substantial Community support, particularly in Greece. The EU budget for 1995–1999 devoted a total of €2,300 million to the tent. In the 2001–2006 budgets, the figure was doubled to €4,600 million (Puga 2001, p.21).

With the Greek CSF 1994-1999 the priorities of SF intervention are revised more deeply than with the other cohesion countries. For the first time, Greece has included plans for a very active industrial development policy in its programme aiming at attracting so far missing foreign capital investments and selected support for new technology investments in prospective industries.

The CSF focuses again on large scale infrastructure projects but limits envisaged interventions to the completion of initiated projects as the two motorway linkages, the Athens Underground and the natural gas pipeline; besides has included modernisation of the most important railways linkage Athens - Thessaloniki in its CSF (Tondl 1995, p.35).

Furthermore, the Greek CSF contains two ambitious subprogrammes in the field of public services. First, a considerable share of funds is reserved for improving the health service (hospitals and medical services on the regional level, professional medical training institutions) and related social aid schemes. Second, through the new programme funding will be provided to improve general education system taking account of the very unsatisfactory educational situation within the Greek population (Tondl 1995, p.35).

1988 reform, during this period objective 1 support was by far the most important. The countries that received the largest amount of support (relative to GDP) were Portugal and Greece, 2.9 per cent and 2.2 per cent of regional GDP, respectively (Cappelen, 2003, p.638-629). According to the study of Cappelen et. al. (2003), EU Regional Support as percentages of GDP between the years 1989-1993 in Greece are as follows: Objective 1: 2.229, Objective 2: 0.000, Objective 3: 0.000, Total EU: 2.229, National: 1.136, Private: 0.191, Sum: 3.556 (Cappelen et, al, 2003,p.628).

For 2007–13, Greece has been allocated €20.4 billion in total CP funding: €19.6 billion under the Convergence 1 Objective, €635 million under the Regional Competitiveness and Employment Objective and €210 million under the European Territorial Cooperation Objective. Greece has five regional programmes funded by the ERDF, and eight thematic programmes funded by the ERDF, the Cohesion Fund and the ESF. One other programme covers a national ‘contingency reserve’ under the Convergence Objective (EU Regional Policy, http://ec.europa.eu/regional_policy/).

EU Funds Co-financing (2007-2013) in Greece are: Project cost: EUR 21.451bn; Loan amount: EUR 2.0bn (9 percent); Duration of loan: 25 years; Co-financed with the European Commission; Borrower/Promoter: Hellenic Republic; Implementation: 2007-2015 (Hyzyk 2010, pp.23-24).

EIB framework loan will support the implementation of the Greek National Strategic Reference Framework 2007-2013:

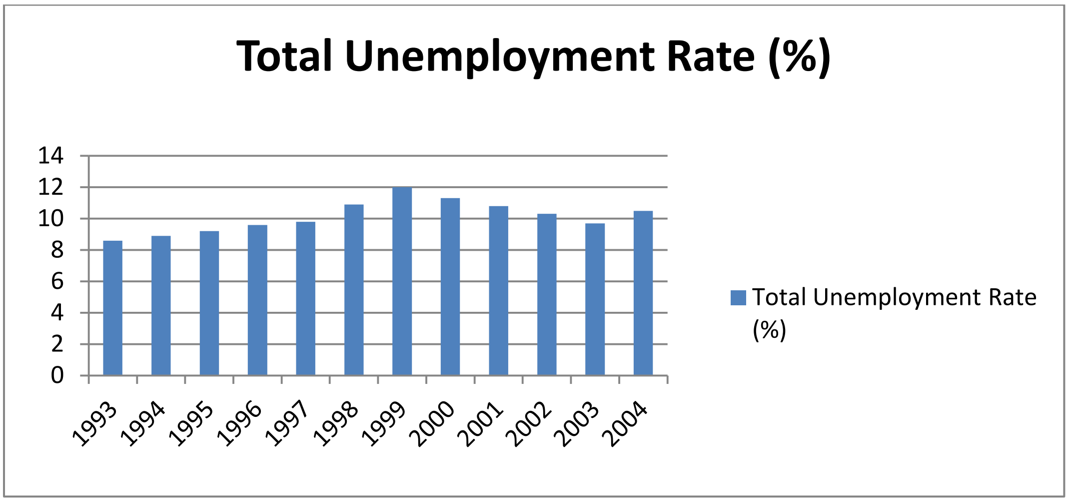
a. Environment and Sustainable Development
b. Competitiveness and Entrepreneurship
c. Digital Convergence
d. Development of Human Resources
e. Education and Lifelong Learning
f. PATHEP Railway Corridor (Hyzyk 2010, p.23-24).

CP has contributed to increasing gross domestic product (GDP) by 2.8 percent in Greece during this period. The growth of the Greek economy outstripped that in most of the rest of the EU, averaging around 4.5 percent a year. RP intervened business environment, and 23 000 firms were supported to promote technologically between the years of 2000–06, moreover; CP helped to finance some 7 000 new start-up businesses. In addition to these developments, some studies have been made in training sector, and 257 000 participants had taken part in new training programmes which had been introduced. Supporting activities were held for childcare facilities, the elderly and people with disabilities and for the implementation of integrated action programmes for women (EU Regional Policy, http://ec.europa.eu/regional_policy/).

In contrast to the GDP, employment has been rising very modestly (and in some years has been declining) reaching in 2004 an overall rate of 59.4 percent, still lower than the EU-25 average of 63.3 percent and one of the lowest in the EU. Large numbers of immigrants, Greek repatriates and refugees have entered the country in the last years (about 760,000 people/Census 2001) contributing to the increase of unemployment.

According to Oktayer (2007), total unemployment rates in Greece at 1993-2004 period are: 8.6 percent in 1993, 8.9 percent in 1994, 9.2 percent in 1995, 9.6 percent in 1996, 9.8 percent in 1997, 10.9 percent in 1998, 12.0 percent in 1999, 11.3 percent in 2000, 10.8 percent in 2001, 10.3 percent in 2002, 9.7 percent in 2003 and 10.5 percent in 2004 (Oktayer 2007, p.125). Graph 2 shows decline at unemployment rate in Greece as a cohesion country.

Unemployment rate in Greece is shown in Graph 3.2. below.



Graph 3.2: Unemployment Rate in Greece as a Cohesion Country (1993-2004).

When Evrytania is analysed as a case for regions of Greece, it is seen that Evrytania is located in Central Greece, and it is a Nuts III area characterised as Objective 1. Evrytania is a depopulated, remote area, with harsh soil and climatic conditions. In 1991, GDP per capita in Evrytania represented about 77 per cent of the relevant national average, compared to 47 per cent in 1971.

Despite the fact that economic activity still depends substantially on the primary sector (foresty), its employment share has declined from 72 per cent in 1971 to 28 per cent in 1991. During the same period, the share of employment in the service sector increased from 19 to 49 per cent, and that of industry from 9 to 23 per cent (Psaltopoulos and Efstratoglou 2000, p.9).

Through the agricultural policies and SF, Evrytania has lived a considerable change between the years of 1980-93. Initially, the priorities were determined as infrastructure, increase of agricultural products, victimisation of area of forest and finally tourism. In the mid- 1980s, Integrated Mediterranean Programme (IMP) which is EC fund was used in Evrytania. By the way, analysis has shown that the development of economy is slow and technological innovations are rare though changes have been seen in agriculture and infrastructure.

The CSF Specific Development Programme generated very significant economic activity in Evrytania, while the IMP Programme generated significant output, labour income and employment effects. The effects of the CAP are also substantial, as the Guidance Fund significantly raised firm and household incomes, as well as employment, while the Guarantee Fund contributed to increases in firm income. On the other hand, the economic impact of the other Structural Policy Programmes implemented in Evrytania (CSF ESF, CSF Local Development, CSF Agriculture, Community Initiatives) was much lower, as related expenditure was not so high (Psaltopoulos and Efstratoglou 2000, p.15).

3.2.3 Discussion of Efficiency of Regional Policy in Greece

When the Greek development process is analysed, it is observed that decentralization was realized only on administrative level instead of financial one, and of course dependence of regions has increased. In Greece, there is state intervention in implementation of RP. The combination of a centralised state structure, government control of the civil service and a weak civil society constituted a major impediment to the adaptation and Europeanization processes (Paraskevopoulos and Rees 2002, pp.179-183).

Despite several reforms aiming at the devolution of power, planning and monitoring of the use of the funds in Greece is concentrated at the national level, with the Ministry of Finance having the strongest role. Regions remain weak, while power is retained at the central level (Christopoulou 2011, p.13).

On joining the EC in 1981 there was an incompatibility between EC procedural, administrative and normative requirements and Greece’s centralised state and weak civil society, all of which led to major adaptational pressures (Rees and Paraskevopoulos pp.179-180). Moreover, decision-making and implementation processes in Greece are vertically fragmented, both nationally and regionally, thus hindering horizontal co-ordination for a coherent strategy (Rees and Paraskevopoulos 2002, pp.179-183).

Our knowledge of implementation success or failure in Greece is comparatively small. Empirical evidence from Greece is still very rare even in more recent volumes. In addition to difficult literature access for non-natives, cultural communication hindrances might also be conducive to explaining the rather reserved position of many scholars vis-à-vis Greece (Hartlapp and Leiber 2006, p.3).

The responsible national authority, the Ministry of Environment, has been unable to convince its own other half focusing on public works, but also the Ministry of Finance, as well as local authorities to take advantage of the EU programmes for environmental purposes (Christopoulou 2011, p.10). Meanwhile; there is a gap between commitments made at the European level and implementation at the national level. The examination of the experience in Greece reveals that the application of the SF, in practice, has not changed substantively (Christopoulou 2011, p.13).

Although several steps have been taken to improve the management and oversight of the programmes, it is clear that the main concern of each funding cycle remains the same: high absorption rates (Christopoulou 2011, p.13). In general, with the exception of Greece, the cohesion countries showed a better performance of growth after their membership. Greece had a very uneven level of performance between 1989 and 1995 (Oktayer 2007, p.124).

Criticism of Greece has arisen in Brussels focused on the failure of Athens governments to narrow the economic gap between Greece and average EC GDP, and also on evidence of the domestic mismanagement of the aid given by the Community EMU (Featherstone and Yannopoulos 1995, p. 260).

Some indications regarding to Greece are shown in 3.1 Table.

Table 3.1: Policy Misfits, Adaptation Results and Mediating Factors in Greece

Policy Misfits	Adaptation Results	Mediating Factors
Centralised policy-making	Slow change	Central Structure/clientilism
Poor administrative traditions	Slow change	Centralised institutions
Institution building	Resistance	Static system
Lack of consensus	Slow change	Week civil society

Source: Rees, N. And Paraskevopoulos, C., n.d. *Europeanization of Policy-Making and Domestic Governance Structures in RP: Cohesion and CEE Countries*, Available at: www.allacademic.com/pages/p396300-6.php [03 April 2011].

Greece's economic disparities between regions can be gapped by economic and policy changes to the structures and administrative boundaries of its existing regions. It is believed that some changes will bring together richer and disadvantaged areas on the same team, sharing their respective strengths and expanding their new joint economy as a stable and self-contained and self-sufficient micro-economy of the new redefined region – the Macro Region (Ladias and Stamatiou 2006, p.1).

a. The evolution of regional development priorities, operational objectives and modes of intervention.
b. The change in the relative weight of sectors, regions and policy instruments.
c. The consistency between initial planning and programme implementation.
d. The relationship between regional programme objectives and national or community structural policy priorities (Plaskovitis, n.d., p.2).

Without this implying a change of perspective at the level of the negotiations within the regional council of the EU, the proposals for a reorganization from now and forward are now combined towards a consolidation containing less of the administrative regions of the country, thus allowing these new regions to obtain a more dynamic character, with a more rational layout which would replace the limits of the existing regions of today (Ladias and Stamatiou 2006, p.1).

We found that the Directives studied not only caused Europeanization effects in terms of policy changes, but also – though subtle – in the politics dimension of implementation in Southern Europe there is a tendency for the least performing to gradually improve their national enforcement systems (above all in Greece and Portugal) and a gradual strengthening of societal actors (mainly in Greece) (Hartlapp and Leiber 2006, p.28).

The most striking feature of the Greek programme is that the major part of funds was placed for large scale infrastructure projects in the transport sector, telecommunications and energy supply attributing to the very poor Greek infrastructure in these fields. Promotion of industrial activities and regional development clearly was of minor interest within the first framework programme. In fact, many of the large infrastructure projects planned for the framework programme period were merely started, thus the two main traffic axes Pathas and Egnatia, the Athens underground, and the natural gas pipeline which should improve the urgent need of energy supply (Tondl 1995, p.35).

The conclusion, however, is particularly pertinent for Greece, since the country has been referred to the European Court of Justice on numerous occasions due to inadequate implementation of the EU Directives (Christopoulou 2011, p.13).

4. REFORMS IN REGIONAL OR COHESION POLICY IN LISBON TREATY

When it is analysed the reforms made within Lisbon Treaty, it can be seen that there are three priorities -convergence, competitiveness, cooperation- replacing the current structure of Objectives 1, 2 and 3. In Lisbon Treaty, growth and competiveness is strongly emphasized, there is a greater concern with 'territorial cohesion' reflected in the proposal to bring all regions into the framework of cohesion and references to the specific problems of islands, mountain areas and urban centres. Since complexity and bureaucracy are criticised, the Commission proposes extensive decentralisation and simplification in implementation of RP; moreover, MS take more responsibility in designing of programmes and controlling of finance of programmes. Moreover, the EC is keen to broaden its workspaces, and begins to study issues such as the polycentric development of urban areas, infrastructure endowment in educational, health and social services, and the specific problems of areas with geographical handicaps (eg. islands, mountain areas). In other words, future regional programmes would focus on key themes, and they are the followings: innovation and the knowledge economy; accessibility and services of general economic interest; environment and risk prevention; employment programmes focusing on the training and adaptation (Bachtler and Wishlade 2004, p.8).

The EC is proposing to make significant changes to the way that EU CP is implemented. The new system would retain the key principles underlying the SF – multi-annual planning, integrated development strategies, partnership, co-financing and concentration – but aims to simplify and decentralise the process. Several features of the proposals are worth noting (Bachtler and Wishlade 2004, p.11).

4.1 From Objective 1 to Convergence

Whereas the term convergence is used more or less in a unanimous way by economists, the term cohesion is likely to raise some confusion. Cohesion derives from the political sciences field. It indicates that in a political entity people identify themselves with each others' objectives, are willing to pursue common policies and wish to be part of the system. Of course cohesion may relate to economic or social aspects.

Convergence is a well acquainted term used on economic growth in literature, indicating in its most frequently used meaning that income disparities among a group of states or regions have narrowed and finally disappeared. Convergence is the result of a convergence process which may take place either autonomously or promoted by policy intervention. When one mentions real convergence between countries/regions, it generally means the approximation of the levels of economic welfare across those countries/regions (Oktayer 2007, p.115).

According to the new Council Regulation (EC) No.1083/2006, the Convergence objective aims at "speeding up the convergence of the least developed MS and regions by improving conditions for growth and Employment (Schröder 2008, p.10). The main efforts must be focused on the least developed MS and regions of the enlarged Union; also included among these will be those regions that have not completed the convergence process but can no longer receive aid because their level of per capita income has risen in relative terms in the enlarged Union (the so-called "statistical effect") (Herce and Sosvilla-Rivero 2004, p. 4).

The Convergence objective promotes and develops the sustainable economic and social growth of the least developed MS. This is defined as those MS who have a per capita GDP of less than 75% of the European average and a number of other MS who are only slightly above this threshold "due to the statistical effect of the larger EU." The European Regional Development Fund (ERDF), the ESF, and the Cohesion Fund all contribute to this objective (Northern Ireland Assembly 2010, p.1).

The Convergence Objective is "aimed at the speeding up the convergence of the least-developed MS and regions". It is the main instrument of RP and accounts for 81.5 percent of spending (House of Lords 2008, p.13). It includes least developed regions (GDP per capita less than 75 percent of EU average); Statistical phasing-out regions; peripheral regions interventions from the Cohesion Funds (Orlando 2008, p.7).

Convergence objective can be seen in Table 4.1 below.

Table 4.1: Convergence Objective

Aim:	a. To accelerate the convergence of backward regions
Admission criteria:	a. GDP per inhabitant less than 75 percent or EU25; b. Temporary support for regions characterised by "statistical effects": c. Peripheral Regions
Budget:	a. Around 82 percent of the resources (251 billion Euro)
Allocation criteria:	a. Admittable population, regional wealth, unemployment rate
Funds:	a. ERDF, ESF, Cohesion Fund
Priority	a. Research, innovation, human resources, infrastructures, environment
Territorial sphere (areas interested)	a. Adequate geographic level (at least NUTS 2)

Source: Orland, P., 2008. *The 2007-2013 Reform of the CP*.Available at: http://www.dps.tesoro.it/cd_cooperazione_bilaterale/docs/4.Study_Visits/3.Study_Visit_III_April%202007/materials/11.2007_13_cohesion_pol..pdf [15 April 2011].

The majority effort of the EU to reduce disparities in the EU at the territorial level is via CP. Following the reform of CP in 2006 for the period 2007–2013, the main aim of CP remains to reduce disparities between the MS and regions through the concentration of resources on the less developed areas.

For the period 2007–2013, the bulk will be concentrated on the poorest regions and countries: whereas in 1989, 56 percent of available resources were allocated to the lowest income regions, at the end of the new programming period, the proportion will be 85 percent (EU RP Fourth Report 2007).

The EU is now approaching the 20th anniversary of the reform of SF agreed in 1988. In three programme periods (1989_1993, 1994_1999 and 2000_2006), the EU has spent some 550 billion on promoting convergence and regional development at European and national levels, particularly in the EU15 Cohesion countries. Further, 308 billion (2004 prices) is programmed for the 2007_2013 period, with an increasing share going to the new MS (Bachtler and Gorzelak, 2007).

By the way, when it is analysed it can be observed that in most of EU member countries, the capital regions, strong metropolitan cores or dynamic urban centres have been growing faster than the less-developed ones, and spatial differentiation also seems to have a tendency to grow, although less than in the new MS. Moreover, regional differentiation appears to be growing, especially between metropolitan and nonmetropolitan regions in the new MS in 2004 and 2007 enlargements.

A concern to assist the poorer MS cope with the challenge of the single market (and in particular the need for adequate investment in infrastructure) without breaching the convergence criteria required for the EMU led to the creation of the Cohesion Fund in 1994. Rather than supporting poorer regions, this focussed on support for the poorer MS (defined as those countries with a Gross National Income per head below 90 percent of the EU average) (House of Lords 2008, p.10).

The European Spatial Development Perspective (ESDP) was the first landmark on the way to EU-level planning coordination. Agreed by the ministers responsible for spatial planning in Potsdam in May 1999, the ESDP was a non-binding framework to streamline those policies that have a differential impact in European cities and regions. Although territorial cohesion was mentioned only once, the ESDP had the main aim of achieving ‘the balanced and sustainable development of the territory of the EU’. This would subsequently become a standard definition of ‘territorial cohesion’.

The ESDP broke the aim of balanced and sustainable development down into three objectives:

Polycentric spatial development and a new urban-rural relationship: these two concepts stressed a functional division of labour between urban growth poles on the one hand and the surrounding rural areas on the other.

Parity of access to infrastructure and knowledge: this involved strengthening cross-linkages between urban areas and the accessibility of more remote ones, especially in terms of transport and communication infrastructure.

Wise management of the natural and cultural heritage: this objective is related to local traditions and identities, and it stressed sustainability and quality of life as important developmental aspects (Mirwaldt, McMaster and Bachtler 2009, p.6).

Following agreement on the EDSP, the ministers responsible for Spatial Planning, Urban Policy and RP held an informal meeting in Tampere in October 1999. They identified twelve actions to apply the ESDP. First one is a link to the INTERREG Community Initiative, the development of territorial impact assessment, and the second one is European Spatial Planning Observation Network (ESPON). The creation of ESPON in 2002 as part of INTERREG was an important step towards the application of the ESDP. Its task was to collect spatial data and develop indicators to inform territorial development policy.

By the mid-2000s, territorial cohesion has clearly turned into one of the pillars of CP, with the triple goal of 'economic, social and territorial cohesion' firmly established as part of the EU jargon.' Territorial Agenda' that was agreed by the ministers responsible for spatial planning in May 2007. The Territorial Agenda elaborates on the priorities agreed in the informal ministerial meetings on territorial cohesion in Rotterdam and Luxembourg.

The Agenda outlines the 'future task' of strengthening territorial cohesion and splits it into six priorities:

"strengthening polycentric development and innovation through networking of city regions and cities; finding new forms of partnership and territorial governance between rural and urban areas; encouraging regional clusters of competition and innovation; building up and extending Trans-European Networks; promoting trans-European risk management including the impact of climate change" (Mirwaldt, McMaster and Bachtler 2009, p.10).

The Third Cohesion Report, which was adopted in February 2004, argued that the objective of territorial cohesion was:

> *... to help achieve a more balanced development by reducing existing disparities, avoiding territorial imbalances and by making both sectoral policies which have a spatial impact and RP more coherent. The concern is also to improve territorial integration and encourage cooperation between regions.*

Adoption of the Lisbon Treaty would enshrine territorial cohesion as an area of shared competence:

> *In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions.*
>
> *Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.*

The European Spring Council in 2005 indicated that: "It is essential to re-launch the Lisbon Strategy without delay and re-focus priorities on growth and employment. Europe must renew the basis of its competitiveness increase, its growth potential and its productivity and strengthen social cohesion, placing the main emphasis on knowledge, innovation and the optimisation of human capital. To achieve these objectives, the Union must mobilise to a greater degree all appropriate national and Community resources — including the CP — in the Strategy's three dimensions (economic, social and environmental) so as better to tap into their synergies in a general context of sustainable development (EU RP Fourth Report, 2007).

4.2 From Objective 2-3 to Competiveness and Employment

According to Council Regulation No. 1083/2006 Regional Competitiveness and Employment (RCE) objective aims at “strengthening regions´ competitiveness and attractiveness as well as employment by anticipating economic and social changes” and is financed by the ERDF and ESF. The previous Objectives 2 and 3 are therefore concentrated in the RCE objective, which includes all regions which are not eligible for the Convergence objective (Schröder 2008, p.12).

The Regional Competitiveness and Employment Objective is designed to act “outside the least developed regions … at strengthening regions’ competitiveness and attractiveness as well as employment by anticipating economic and social changes, including those linked to the opening of trade”. The Objective accounts for 16 percent of regional funding and is funded by the ERDF and ESF (House of Lords 2008, p.13). The first objective (convergence) assists 84 NUTS II regions with the gross domestic product (GDP) per capita measured in purchasing power parities (PPS) at or below 75 percent of the EU average (Heijman and Koch 2011, p.51).

Objectives in terms of regional competitivity and employment are shown at Table (It includes regions from objective 1 in 2000-2006 and other territories proposed by MS and approved by EC). Regional Competitiveness and Employment Objective can be seen in Table 4.2 below.

Table 4.2: Regional Competitiveness and Employment Objective

Aim:	a. To increase competitivity and attractiveness of regions through the development plan based upon support to innovation and preparation of human resources
Admission criteria:	a. Regions not admittable to objective Convergence (Member states propose the candidate regions to the EC). b. Regions ex Objective 1 in 2000-2006 for development effect (temporary regime until 2013)
Budget:	a. Around 16 percent of the resources (nearly 49 billion Euro)

Allocation criteria:	a. Admittable population, regional wealth, unemployment rate, employment rate, level of instruction of active population, demographic density
Funds:	a. ERDF, ESF
Priority	a. Information economy/innovation, environment and risk prevention, accessibility to transport services and TLC
Territorial sphere (areas interested)	a. NUTS 1 or NUTS 2 (according to proposal made by member states within O.P.)

Source: Orland, P., 2008. *The 2007-2013 Reform of the CP.* Available at: http://www.dps.tesoro.it/cd_cooperazione_bilaterale/docs/4.Study_Visits/3.Study_Visit_III_April%202007/materials/11.2007_13_cohesion_pol..pdf [15 April 2011].

This objective seeks to strengthen competitiveness and attractiveness through initiatives which focus on enterprise, innovation and the up-skilling of workforces across the MS. The European Regional Development Fund (ERDF) and the ESF contribute to this objective (Northern Ireland Assembly 2008, p.1).

The regions with a very low population density, island and mountain areas are eligible under the convergence objective. It is by far the most important objective in terms of financial means: 282 billion Euro or 81.5% of the total budget of the CP is allocated to it (Heijman and Koch 2011, p.51).

Regional competitiveness and employment programmes should cover the rest of the MS and regions. This heading would cover support for regions that no longer meet the criteria established for the convergence programmes, regardless of the statistical effect of enlargement. This priority will cover 18 percent of the cohesion resources and it includes Objective 2 and 3 actions. Moreover, it will be implemented at both the regional and national levels, in the latter case to support the European Employment Strategy. The resources will come from ERDF and the ESF (Herce and Sosvilla-Rivero 2004, p.4).

4.3 From Cohesion to Territorial Cooperation

To find an operational meaning of the concept of territorial cohesion we have to turn to documents on spatial planning. Spatial planning visualizes the consequences of autonomous developments and policy choices on a specific territory and helps to create the conditions for a balanced development by integrating in one framework the various elements (industry, transport, infrastructure, ecological parks, etc.) and prioritize the claims of these users on space (Willem Molle 2007, p.84).

The purpose of this priority is to tackle the specific problems involved in building a competitive and sustainable economy in areas of MS that are divided by national borders. This priority also will cover the work of the INTERREG, URBAN, EQUAL and LEADER+ resources. Its resources, equivalent to 4% of the total allocated to cohesion, will come exclusively from the ERDF (Herce and Sosvilla-Rivero).

In 1997, ESDP was adopted. This document has been elaborated with the support of the EU but not in the formal framework of the EU. It defines three major aims of territorial cohesion:

1 Accessibility: to safeguard equal access of all EU regions to infrastructure and know-how.

2 Polycentrism: to maintain a balanced urban system for the EU as a whole and for its constituent parts.

3 Trusteeship: to achieve prudent management of the cultural and natural heritage. (Willem Molle 2007, p.85)

The European Territorial Cooperation objective aims at strengthening cross-border cooperation, transnational cooperation and inter-territorial cooperation. The previous Community initiatives INTERREG III, URBAN, EQUAL and LEADER are concentrated in this new objective, while the previous financial instruments are substituted by one single fund, the ERDF (Schröder 2008, p.13). The European Territorial Cooperation Objective has the aim of "strengthening cross-border co-operation through joint local and regional initiatives."

Unlike the other Objectives, it operates at the NUTS3 level (although in practice a NUTS2 region can be designated, if all its NUTS3 regions are chosen) (House of Lords 2008, p.14).

It is funded by the ERDF with 8.7 billion Euros or 2.5% of the total budget for CP. This objective covers currently three types of programmes:

a. 52 cross-border cooperation programmes for areas sharing a "common space" (EU RP 2007a, slide 2) separated by internal EU borders. Budget: € 5.6 billion.
b. 13 translations co-operation programmes for large spaces like the Baltic Sea, Alpine and Mediterranean Regions or the Northern Periphery. Budget: € 1.8 billion.
c. The interregional co-operation programme covering all 27 EU MS facilitating exchange of experience and the best practice between the regional and local bodies in different countries. Budget: € 445 million (Heijmen and Koch 2011, p.51).

The theme of this objective is cross-border, trans-national and interregional cooperation between MS. It is envisaged that partnerships will be developed to facilitate the sharing of ideas and successful working practices. The European Regional Development Fund (ERDF) contributes to this objective (Northern Ireland Assembly 2008, p.2).

New objectives for European territorial cooperation are shown in the Table 4.3

Table 4.3: European Territorial Cooperation Objective

Aim:	a. To favour a homogenous and integrated development in EU territories,
Admission criteria:	a. Transborder cooperation, inland borders and sometimes external borders, b. Transnational cooperation between distant regions, c. Cooperation and exchange network, throughout the EU territory

Budget:	a. Around 2,5 percent of the resources
Funds:	a. ERDF
Priority:	a. Innovation, infrastructure, culture, environment
Territorial reference:	a. NUTS 3

Source: Orland, P., 2008. *The 2007-2013 Reform of the CP.* Available at: http://www.dps.tesoro.it/cd_cooperazione_bilaterale/docs/4.Study_Visits/3.Study_Visit_III_April%202007/materials/11.2007_13_cohesion_pol..pdf [15 April 2011].

There are areas where the MS have exclusive competence but in which the Union can provide support or co-ordination (excluding all aspects of harmonisation) with respect to the European aspects of these areas are: Protection and improvement of human healthcare; Industry; Culture; Tourism; Education, professional training, youth and sport; Civil protection; Administrative co-operation (Fondation Robert Shuman 2009, p.14).

The Lisbon Treaty provides a certain number of new competences which fit into the categories of:

a. "shared competences" (such as space and energy)
b. "support, co-ordination and complementary action" (such as civil protection, intellectual property, tourism, administrative co-operation and sport). (Fondation Robert Shuman, 2009, p.14).

First, the Union should not only persuade MS to implement Lisbon, it should back up its words as far as possible with “financial incentives” from the Union budget. Second, a lack of “ownership” of the Lisbon process in the MS was identified, requiring the establishment of partnerships for growth and employment. Third, the report called on each Member State to adopt a strategic approach involving “a national action plan” setting out how it is going to achieve the Lisbon targets (Hübner 2005, p.3).

Territorial cohesion, meaning the balanced distribution of human activities across the Union, is complementary to economic and social cohesion. In order to promote territorial cohesion in 1999, the ministers responsible for spatial planning adopted the ESDP one of whose guidelines is the promotion of polycentrism in the EU. At national and regional level, polycentrism means the promotion of complementary and interdependent Networks of towns as alternatives to the large metropolises or capital cities, and of small and medium-sized towns which can help integrate the countryside.

'Territorial cohesion' has become a fashionable term during the past ten years. It was first mentioned in a report published by the Association of European Regions (AER) while the 1997 Treaty of Amsterdam was being negotiated. One can identify at least four different definitions of territorial cohesion. First, it can be seen as polycentric and endogenous development, aiming to cultivate several clusters of competitiveness and innovation across Europe. Second, it can be seen as a balanced development model with the primary aim of reducing socio-economic disparities and avoiding imbalances. Third, territorial cohesion is sometimes formulated in terms of accessibility, i.e. the ambition for citizens to have equal access to facilities, services and knowledge, regardless of where they live (Mirwaldt, McMaster and Bachtler 2009, p.5).

Territorial imbalances in the enlarged Union will be substantial and quite varied in nature. There will be greater differences between the periphery and the centre in terms of population, wealth, and access to the GIS, transport, energy, telecommunications and the information society, research and capacity for innovation. Territorial cohesion is a necessary requirement of and complement to economic and social cohesion within the aim of sustainable development. Also, it is enshrined among the fundamental aims of the EU, as reflected in the Treaty references: Art.2 of the Treaty establishes as central aim of the EU the promotion of balanced and sustainable development, which implies a balanced territorial development, and Art. 16 acknowledges that services of general interest (SGI) should promote in particular social and territorial cohesion, in order to provide equal Access to SGI to all citizens wherever they happen to live or work in the Union (EC DG, Interim Territorial Cohesion Report 2004).

We can say that territorial imbalances are observed at various scales. Some have a rather permanent nature (regions with specific geographic handicaps), others have long-lasting character (imbalances in population density). Finally, disparities may arise in endowment of competitiveness factors such as education, research, accessibility to transport, and telecommunications which may be subject to changes, in particular when adequate policies are applied. At European level, the most significant disparity is found between the core and various peripheral areas. In particular, this imbalance concerns the distribution of population and wealth as well as the endowment with infrastructure and research development potential. Summing up, serious deficiencies in connectivity exist in the south-western, north western and eastern European peripheries, especially after accession of South Eastern Europe (EC DG, Interim Territorial Cohesion Report 2004).

As already analysed, some of these territorial imbalances are the consequence of permanent natural factors or of historical processes. On the other hand, adequate interventions on specific policy fields may have a fundamental role in counterbalancing these imbalances. In particular, the EU may contribute, through various policies, to increasing the competitiveness of problem regions ultimately reducreducing lastingly territorial imbalances of diverse nature (EC DG, Interim Territorial Cohesion Report 2004).

5. CONCLUSION

Because EU is an organisation aiming to set standards in MS, it is wise to take steps aiming to diminish disparities among MS. At that point, it can be easily said that Regional Policies of the Union are to be applied better in order to solve many possible problems. The most important property of RP is solving possible problems. In EU, many problems may be seen as a result of disparities among regions. For example, immigration, unplanned urbanisation and inadequate distribution of sources are possible problems which can be caused as a result of lack of policies aiming to strengthen regions. Thanks to the surveys and researches, importance of regional policies for countries can be seen in a better way. Considering Spain and Greece, it is seen that those countries benefited from regional policies of EU. Reaching different statistics such as unemployment rates of those countries, it can be easily understood that those countries benefit from regional policies and unemployment rates in those countries have been diminished year by year since accession to EU.

Unemployment rates are not only indicators of regional policies for Spain and Greece. Regional policies provide many other opportunities to Spain and Greece such as highways and railways. Moreover, credits provided by structural fund also support individuals in public sector in those countries. On the other hand, another important point about regional policies is effect of those policies on governance types of those countries. Regional policies make important modifications at governance patterns in those countries.

It must also be stated that there are some problems at application and governance of regional policies in Greece and Spain. As understood from previous pages, not all regions have adequate benefits from regional policies in those countries unfortunately; some regions have more benefits when some others do not. However, in general, regional policies and cohesions funds are vital for getting rid of disparities among regions in EU and solving problems face among regions in Greece and in Spain.

Moreover, the efficiency of Regional Policy is different in two countries although the same methods and means are used. The reason of this that the central government is strong in Greece and RP has been generally implemented by central governments. As a result of this, the efficiency of the Policy is not enough. However, in Spain the regions are strong and the RP has been generally implemented by regions. Therefore, it can be easily said that the efficiency of RP is very strong.

With Lisbon Treaty, the efficiency of RP is planned to be increased. The concept of "Cohesion" is replaced by the term of "Convergence". The Convergence refers to balance deepening and enlargement and to decrease the disparities between regions in member countries. By focusing on the underdeveloped regions through using structural funds, it is aimed to enhance the coherence between regions.

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