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# THE IMPLEMENTATION OF EUROPEAN COMMUNITY REGIONAL POLICY: A STUDY OF THE EUROPEAN REGIONAL DEVELOPMENT FUND AND THE EUROPEAN SOCIAL FUND IN THE UNITED KINGDOM.

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THE IMPLEMENTATION OF EUROPEAN COMMUNITY REGIONAL  
POLICY: A STUDY OF THE EUROPEAN REGIONAL  
DEVELOPMENT FUND AND THE EUROPEAN SOCIAL FUND  
IN THE UNITED KINGDOM.

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## ABSTRACT

### THE IMPLEMENTATION OF EUROPEAN COMMUNITY REGIONAL POLICY: A STUDY OF THE EUROPEAN REGIONAL DEVELOPMENT FUND AND THE EUROPEAN SOCIAL FUND IN THE UNITED KINGDOM

by

Gregory John Croxford

This thesis develops the argument that research on the European Community (EC) could be enriched by studies of how Community policies are implemented. The processes by which EC policies are formulated have been the subject of a great deal of research. However, the way in which these policies are subsequently put into practice and whether or not their objectives are achieved has received very little attention. Yet these processes may be highly complex, involving a large variety of institutions and actors at Community, national and regional levels. The complexity of implementation and of the Community's political system offers scope for a significant "implementation gap" between policy objectives and outcomes.

This study is therefore about the implementation of EC regional policy. More specifically, it focuses on the operation in the United Kingdom of two Community Funds with regional objectives; namely, the European Regional Development Fund (ERDF) and the European Social Fund (ESF). In particular, the activities of the two Funds in South West England are examined. The research also assesses the roles in implementation of the European Commission and national government departments in the UK.

The research shows that the UK government is able to influence many aspects of the implementation process by means of its pivotal role in decision-making and its ability to control many financial aspects of the provision of EC grants. As a result, the objectives of the ERDF and ESF may be overwhelmed by the entirely national objectives of government. On the other hand, this study demonstrates that the European Commission can exert some control in order to pursue the Funds' "Community" objectives. The organisations at regional level which actually apply for EC grants are also shown to be of importance. Their involvement is determined by factors such as government restrictions on expenditure, assisted area status, the availability of information, local initiative and the efficiency of organisational structures.

The research, which coincided with a period in which EC regional policy is being reformed, calls for more explicit concern in the future with how the Community's increasingly prominent regional development objectives are put into practice. Moreover, it asserts that studying how Community policies operate can help to shed more light on the nature of the EC's political system.

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Thanks are also due to Dr. Mark Blacksell of the Department of Geography, University of Exeter for his comments on my work at various stages of the three-year research period. Furthermore, for their excellent cartography, I must also thank Jenny Wyatt and Brian Rogers. For financial support for my visit to Brussels and Luxembourg in May 1987, thanks are due to the Dudley Stamp Memorial Fund and the European Parliament.

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# CHAPTER 1: INTRODUCTION: POLICY IMPLEMENTATION AND THE EUROPEAN COMMUNITY.

## 1.1. THE SCOPE OF THE STUDY AND THE RESEARCH OBJECTIVES.

This thesis is about the implementation of European Community (EC) regional policy. It examines the processes which translate a Community policy into action on the ground and the ways in which these processes affect the attainment of the policy's objectives. More specifically, the study focuses on the operation of two financial instruments of Community regional policy, namely the European Regional Development Fund (ERDF) and the European Social Fund (ESF).

The ERDF was chosen because it has the specific role of providing assistance to Europe's problem regions and is most directly concerned with delivering EC regional objectives. However, other Funds, such as the ESF, the Guidance section of the Agricultural Fund, the assistance available from the European Coal and Steel Community and the European Investment Bank, are also expected to contribute towards these goals, although they are not primarily conceived as instruments of regional policy. Ideally, it would be advantageous to examine the activities of all of these other Funds in order to assess whether, in practice, they do in fact conform with regional objectives. However, time constraints made such a comprehensive approach impossible. The ESF was studied because of its comparability with the ERDF in terms of the participating organisations.

The theme of policy implementation has in recent

years attracted growing interest in the academic community, principally from researchers in political science and public administration (Barratt and Fudge, 1981; Lewis and Wallace, 1984). In contrast, political geographers have been surprisingly slow to appreciate that the results of spatial programmes can often be strongly influenced by the means through which they are put into effect. Research in other fields has shown that it is common for apparently well-conceived public policies of all kinds to fail to meet their full objectives when put into practice. The existence of such an "implementation gap" (Dunsire, 1978) between aims and outcomes has often been explained from a "top-down" perspective as the result of ambiguous objectives or the inability of policy makers to control the actions of those responsible for carrying out policy (Pressman and Wildavsky, 1973; Sabatier and Mazmanian, 1979). Other scholars adopt a "bottom-up" view which stresses that policies can evolve whilst being implemented and that objectives may effectively be changed as a result of conditions prevalent "on the ground". This perspective suggests that implementation is a process of negotiation and bargaining between participating organisations (Barrett and Fudge, 1981; Hjern, 1982; Stringer and Williamson, 1987).

In the European Community field, research on policy formulation is again in plentiful supply (Wise, 1977, 1984; Talbot, 1977; Wallace, Wallace and Webb, 1983; George, 1985). However, studies of how policies actually operate are much less abundant, although some scholars have made a start (Laffan, 1983; Coates and Wallace, 1984; Glasson and McGee, 1984; Preston, 1985). This is again

surprising since the implementation of EC policies often involves a large number of actors in public and private organisations at regional, national and Community levels. Hence, they provide very fertile ground for the study of what is clearly an important aspect of the policy process.

Implementation is therefore the major focus of this thesis. The study provides a critique of how the ERDF and ESF are allocated in the United Kingdom and the impact of these processes on the achievement of certain policy objectives.

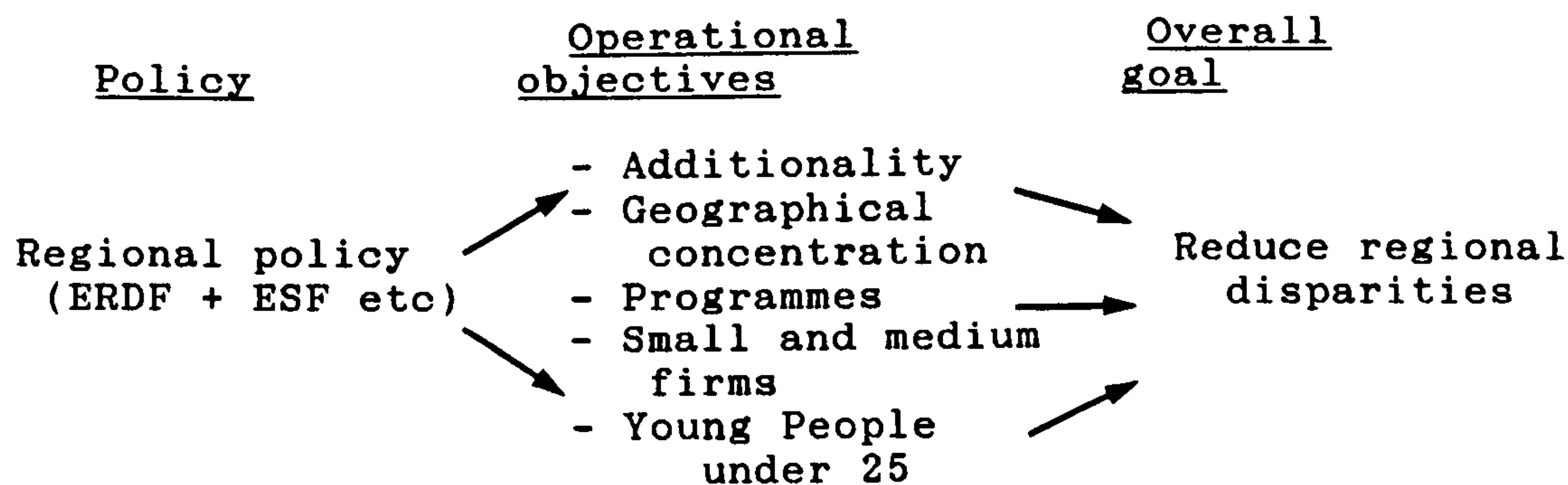
Having completed this primary analysis, the research also examines two other related, but secondary issues. Firstly, it contributes to the debate on the role of the EC in regional policy. In this context, the research has been undertaken at a particularly apposite time, since the Community's three Structural Funds (including the ERDF and ESF) are currently (August, 1988) undergoing reforms which will mean important changes to the ways in which they operate. Secondly, an effort is also made to relate this particular detailed case-study to the wider debate about the nature of the EC. It is important to examine how one policy among the many which are formulated and implemented by the Community fits into the broader picture.

At this early stage an important terminological note should be stressed. The overall goal of EC regional policy is to reduce regional disparities. This thesis is not explicitly concerned with examining the extent to which Community regional policy is effective in reducing the inequalities between rich and poor regions. Instead, the research identifies what will henceforth be referred to as



the "operational" objectives of Community regional policy and examines whether these are being successfully implemented. These objectives are the mechanisms which a policy adopts in order to achieve its overall goals. They include the aim that EC funds should add to national expenditure on regional development rather than act as a replacement for national spending and the objective of concentrating resources on the neediest areas. Figure 1.1 illustrates the relationship between policy instruments, "operational" objectives and overall goals.

FIGURE 1.1. THE RELATIONSHIP BETWEEN POLICY INSTRUMENTS, OBJECTIVES AND OVERALL GOALS.



The research focuses on the operation of the ERDF and ESF in the United Kingdom. It examines the roles in the implementation process and in the delivery of the Funds' operational objectives of the European Commission, the national government and the recipients of Community grants at the local level. The significance of local initiative and organisation is examined by means of case-studies of the operation of the two Funds in South West England. This region was chosen primarily for logistical reasons. The research was based in Plymouth and scarce resources

precluded frequent long-distance travel. Nevertheless, South West England is a very suitable area for a study of this kind. The region has a number of designated assisted areas and is therefore eligible for ERDF aid. Moreover, it is characterised by marked inequalities between a relatively affluent "near South West" centred on Bristol, and a relatively deprived, peripheral "far South West" consisting of Devon and Cornwall (see Chapter 5).

The work involved carrying out a series of interviews with actors in local organisations applying for grants, in national government departments and in the European Commission. This unravelling of a highly complex process was an important and original aim of the research (Appendix 1).

In this overall context, this research has a number of specific, inter-related objectives. The primary aims are:

1. to unravel the processes by which the ERDF and ESF are implemented in the United Kingdom (partly by means of the case-study of South West England);
2. to examine whether the implementation process facilitates the delivery of the two Funds' "operational" objectives.

The secondary aims of this study are:

3. to provide a critique of EC regional policy in the light of the findings of this research;
4. to relate briefly the findings of this study to the wider debate about the nature of the EC.

The remainder of this Chapter presents a review of the literature on policy implementation, followed by an introduction to the institutional structure of the EC and the ways in which the Community implements its policies. Furthermore, it sets out the research methods and data sources which were employed in the course of the study. The second chapter discusses the development and overall



goals of EC regional policy. Subsequently, Chapter Three outlines the specific operational objectives of the ERDF and examines the role of the European Commission in the achievement of the Fund's operational objectives. Chapter Four focuses attention on the implementation of the ERDF in the United Kingdom and outlines the role of the national government. Chapter Five then concentrates on the applicants and recipients of ERDF grants in South West England, examining the spatial and sectoral patterns of spending and the processes by which applications are initiated. Chapters Six, Seven and Eight then carry out similar analyses at Community, national and local levels of the operation of the ESF.

The final Chapter brings together the various themes of the thesis in a broad discussion of how Community grants are allocated in relation to wider conceptualisations of the implementation process. More specifically, Chapter Nine will: summarise the main empirical findings; assess the relevance of models of policy implementation to understanding the operation of the ERDF and ESF; briefly examine how the findings of this research contribute to the wider debate about the nature of the EC; and provide a critique of EC involvement in regional policy in the light of both this research on the implementation of the ERDF and ESF and the reforms of Community regional policy which have been taking place during 1988;

## 1.2. THE IMPLEMENTATION OF PUBLIC POLICIES.

This section examines a variety of concepts arising from the extensive literature on policy implementation which will help to shed light on the ways in which Community Funds are put into operation.

### 1.2.1 The Development of implementation research.

The study of a phenomenon known as "implementation" has only emerged relatively recently as a branch of academic endeavour. In 1973, an extensive literature search by Pressman and Wildavsky (1973) found no mention of the term "implementation" in the abstracts of published research papers. As a result, they concluded that no previous literature existed on the subject. However, others have argued that the study of policy implementation had existed before in the guise of research in the field of public administration. Van Meter and Van Horn (1975) and Dunsire (1978) pointed to various studies pre-dating the work of Pressman and Wildavsky that were at least implicitly concerned with the means by which policies are executed. However, the previous literature tended to look at "politics" and "administration" as two separate and unrelated entities. The latter was regarded as essentially a de-politicized, mechanistic process that was unlikely to cause major problems (Williams, 1980; Hyder, 1984). However, the failure of some of the major social programs of the Johnson era in the United States led to an increased awareness among practitioners and academics alike that major policies could fail to achieve their targets because of the discontinuity between policy formulation and practice

(Bardach, 1977). The term "implementation" was coined to describe the processes involved in the "missing link" between politics and administration (Hargrove, 1975).

The research by Pressman and Wildavsky (1973) is often regarded as the seminal work on implementation. Their study was concerned with how a job creation scheme designed in Washington failed when implemented in Oakland. This study attempted to identify the "decision-points" where the program went wrong and concluded that reducing the number of these potential stumbling blocks would facilitate simpler and more effective implementation.

#### 1.2.2. The "top-down" perspective.

The work of Pressman and Wildavsky paved the way for subsequent research that dealt specifically with implementation as a distinct phenomenon. Many of these studies took what has since been termed a "top-down" perspective. In other words, they studied the execution of policies from the point of view of policy makers trying to put policy into effect. Such research invariably began by examining the objectives of a policy and assessing the extent to which these objectives had been achieved. If this process led to the identification of an "implementation gap" (Dunsire, 1978) between policy objectives and outcomes then study of the processes by which policies were implemented would facilitate the identification of the points where policy went wrong and why. Top-down studies tended to explain policy failure in terms of the inability of policy makers to control those responsible for implementation or the failure of policy makers to stress clear objectives.



The work of Van Meter and Van Horn (1975), Hargrove (1975), Rodgers and Bullock (1976), Montjoy and O'Toole (1979) and Nakamura and Smallwood (1980) belonged to this school of implementation research. Van Meter and Van Horn, for example, argued that "policy implementation encompasses those actions by public and private individuals (or groups) that are directed at the achievement of objectives set forth in prior policy decisions" (Van Meter and Van Horn, 1975, p447). At this time, researchers were at pains to identify the inherent limits on implementation. Dunsire (1978), for example, suggested that there were certain bureaucratic limits to hierarchical control within organisations and that those at the top of these hierarchies attempting to control implementation would automatically be confronted by these limits.

Among the leading proponents of the top-down approach to studying implementation were two American scholars - Sabatier and Mazmanian (1979, 1980 and 1983). These authors set out a framework for implementation which suggested that three sets of independent variables have significant impacts on how implementation proceeds in practice (Figure 1.2), namely:

1. the tractability of the problem being addressed (its complexity and how easily it can be managed);
2. the ways in which a policy directive can constrain the implementation process;
3. the external variables affecting policy implementation (for example, media attention, public and political support, other socio-economic variables) (Mazmanian and Sabatier, 1983).

Sabatier and Mazmanian developed their framework from research on the implementation of coastal conservation

Complexity of the problem

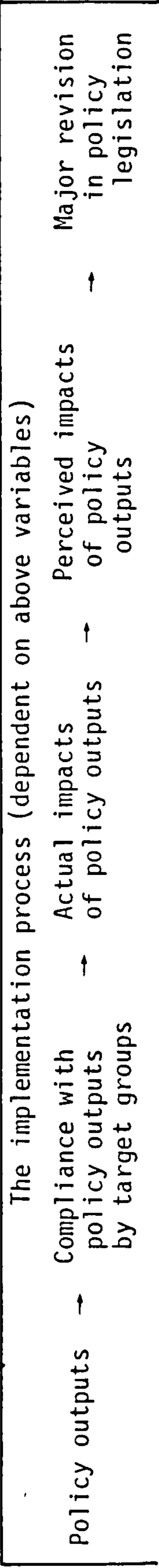
1. Diversity of the target group
2. Size of the target group
3. Degree of behavioural change required

How the policy can structure implementation

1. Clear and consistent objectives
2. Adequate causal theory
3. Financial resources
4. Hierarchical integration among implementing agencies
5. Recruitment of implementing officials
6. Formal access by outsiders

External variables influencing implementation

1. Socio-economic conditions
2. Media support
3. Public support
4. Attitudes and resources of those involved
5. Support from sovereign groups (e.g. Governments)
6. Commitment of implementing official



After Mazmanian and Sabatier (1983)

FIGURE 1.2. THE FRAMEWORK FOR STUDYING THE FACTORS INFLUENCING THE IMPLEMENTATION PROCESS PUT FORWARD BY MAZMANIAN AND SABATIER.



policy in California and it has since been applied applied successfully by other scholars to other policy problems (Bullock, 1981; Sabatier and Klosterman, 1981; Goodwin and Moen, 1981). This "top-down" conceptual framework would seem potentially to provide a useful tool for examining the implementation of EC policies and is discussed in more detail in relation to the findings of this research in Chapter Nine.

In the late 1970s and early 1980s the top-down view became the subject of considerable criticism. It was at this time that European researchers began to show an interest in an area of study that had previously been almost exclusively North American. Among the leading exponents of this European research were Barrett with Fudge (1981) and with Hill (1984), Hill et al (1979) and Hjern with his colleagues Porter (1981) and Hull (1982).

These authors pointed out that hierarchical control of implementation was often weak and that there are limits on the ability of central policy makers to control the behaviour of target groups and local implementors (Weatherley and Lipsky, 1977; Hanf and Scharpf, 1978; Barrett and Fudge, 1981). In the "real world", it was argued, implementation "involves loosely connected networks of organisations from various levels of Government, none of which [is] pre-eminent" (Hjern and Porter, 1981, p212). Moreover, the frequent absence of strong hierarchical control and the complexity of the environment within which policies are carried out means that they should not be regarded as fixed entities ready for implementation. Instead, they are often flexible and can undergo changes in

response to local conditions whilst being implemented.

A second related criticism is that the concern with analysing the achievement of policy objectives is misplaced since in reality these are rarely clearly expressed or capable of achieving unanimous support (Majone and Wildavsky, 1978; Barrett and Fudge, 1981; Barrett and Hill, 1984; Stringer and Williamson, 1987). In many cases the policy-making system involves a variety of individuals and organisations with varying aims as regards particular areas of policy. Eventual legislation reflects this diversity of interests and has objectives that are often vague and contradictory. Moreover, Barratt and Hill (1984) argued that the same factors which give rise to compromise in policy making continue to influence and shape its implementation. Consequently, policy making and policy implementation are different aspects of the same continuum and research should not assume them to be separate or distinct. As a result of these criticisms a new approach to the study of implementation emerged.

### 1.2.3. The "bottom-up" perspective.

Authors such as those mentioned above have adopted a "bottom-up" view of implementation in reaction to what they considered were significant flaws in the top-down approach. These researchers focussed on the actions of local participants in implementation and argued that much activity originates at this level rather than being instigated by top-down policy makers developing policy and attempting to put it into effect. Instead of beginning with an identifiable policy decision, the bottom-up approach starts with an analysis of the actors which interact at the local

level on a particular problem or issue. The focus is on the strategies pursued by various organisations in the pursuit of their own objectives rather than those of a policy imposed from above. Implicit in this approach is the notion that policies are best formulated by actors at the local level rather than controlled by central decision-makers removed from the needs of particular localities and the consequences of policies "on the ground".

This approach recognised that the interactions between the policy formulation and implementation processes produced a "policy [that] evolved as it was being implemented" (Stringer and Williamson, 1987, p36). One of the first studies of this kind was that by Majone and Wildavsky (1978) who conceptualised the implementation process as one of "evolution". They argued that as policy is enacted it is automatically changed as resources are altered or problems arise. Majone and Wildavsky concluded that "implementation will always be evolutionary; it will inevitably reformulate as well as carry out policy" (Majone and Wildavsky, 1987, p116). Other authors have echoed this theme of policy being changed during implementation (Hill et al, 1979; Barratt and Fudge, 1981; Stringer and Williamson, 1987).

A number of scholars have emphasised that policies evolve during implementation because of a process of bargaining and compromise between more or less autonomous actors and organisations (Bardach, 1977; Barrett and Fudge, 1981; Hanf, 1982; Scharpf (1982). As Barrett and Fudge argue, "without total control over resources, agencies and the whole implementation environment, those wanting to do



something may be forced to compromise their original intentions in order to get any action at all" (Barratt and Fudge, 1981, p16). According to Barratt and Hill "the process of implementation is essentially a political process characterised by negotiation, bargaining and compromise between those groups seeking to influence the actions of others and those upon whom action depends" (Barratt and Hill, 1984, p220). In this study of EC funds there is a great deal of scope for negotiation and compromise between Community institutions, national governments and local organisations, all of whom participate in putting EC policies into operation.

A key problem identified by the bottom-up approach is how to define what is meant by policy. A politician may view a relatively vague political intention in a Party Manifesto as policy. Others may see only the very detailed legislation as the policy. Clearly, whichever view the student of implementation adopts will affect what is actually studied. If the former view is taken then the processes leading up to the framing of detailed regulations must also be regarded as implementation. Hill et al suggest that "the distinction between policy-making and implementation (rests) upon the identification of decision points at which a policy is deemed to be made ready for implementation, like a commodity which is manufactured and ready for selling" (Hill et al, 1979, p11). The bottom-up approach assumes either that these decision points cannot easily be identified or that making this distinction in the first place is inappropriate since the two stages are so closely related and interlinked. Hence, proponents of the bottom-up approach



argue that the analyst cannot readily understand implementation without also looking at how policy is formulated.

These kinds of views, however, have not gone unchallenged. Sabatier (1986), for example, argued that these bottom-up perspectives often fail to identify the external social, economic and legal constraints limiting the discretion of participants in a particular area of policy. The bottom-up approach, Sabatier suggested, takes as given the institutional framework within which actors operate, without enquiring into the ability of others to structure this framework and so influence the rules of the game. He argued that the removal of the distinction between policy formulation and implementation is likely to have significant costs. Firstly, it makes it difficult to assess the relative influence of elected officials and civil servants, preventing analysis of important issues such as democratic accountability and bureaucratic discretion (an important consideration in a study of EC policies where a major actor, the European Commission, is unelected). Secondly, the lack of a distinction precludes policy evaluation since it seems to assume that there is no distinct policy to evaluate. How can the success of activity taking place in a particular policy arena be judged without relating it to overall policy objectives? The bottom-up approach tends to play down the fact that much action is generated by policies handed down from above and that all activity takes place within a broad policy-legal framework.

Sabatier also argued that, contrary to the views of bottom-up scholars, it is both possible and justifiable to

identify the point at which a policy is completed and ready for implementation. In the present research, for example, the Regulations controlling the ERDF and ESF are obvious starting points for studying implementation.

The ideas of "top down" and "bottom up", as well as being advocated approaches to studying implementation, can also be used as models of how the implementation process operates. They describe the ways in which particular policies are put into effect. As such, the differences between them reflect the fact that different policies may operate in different ways - some are imposed from above while others are more adaptive to local needs and conditions. Chapter Two will show that EC regional policy was initially conceived in a top-down fashion. Proposals from the Commission were considered and agreed upon by the Council of Ministers with only marginal input from potential beneficiaries of Community grants at local and regional levels. Consequently, the initial approach of this study is also "top-down". The policy's operational objectives, as decided at the "top", are examined and assessments are made of whether or not they are delivered in the UK. Subsequently, however, the importance of initiative at the "bottom" is also highlighted

There are obvious parallels between this discussion of "top-down" versus "bottom-up" models/perspectives and the long-standing debates on the appropriateness of "rational" and "incremental" models of decision-making. The classical rational models outlined by Braybrooke and Lindblom (1963) and Lindblom (1968), assume that actors have clearly defined policy goals and that decision-making is essentially

concerned with evaluating the alternative strategies which could be adopted in order to achieve these objectives. Many "real-world" case studies, however, have shown that this model may be far removed from what happens in practice. Often decision-making is characterised by "disjointed incrementalism" (Braybrooke and Lindblom, 1963) involving small "satisficing" decisions (Simon, 1959) as the plethora of actors involved in policy formulation bargain and compromise their way towards mutually acceptable solutions. The implementation of decisions and policies is often similarly characterised by a "quest for rational control" which can never be satisfied because of real-world complexities (Hill, 1981).

#### 1.2.4. Suggested syntheses of top-down and bottom-up perspectives.

In recent years academics have become more aware that bottom-up and top-down views can both have valid uses and that the approach adopted may depend on the policy or policies which are being examined (Sabatier, 1986). Moreover, both approaches/models can shed light on different aspects of the same policy. Indeed, according to Hanf and Toonen (1985) the two approaches are often studying different aspects of the same thing. There have also been, stretching back over a period of years, attempts to synthesise the two perspectives and to formulate a model which takes account of the fact that both hierarchical control and local initiative may be equally important aspects of policy implementation.

Hyder (1984) and Lewis and Wallace (1984) produced a model which took this into account. They



supported the "bottom-uppers" who argued that policy evolves because of what happens during implementation. However, they also recognised that these changes often occur because of re-evaluations carried out by those attempting to put policy into practice from the "top". Hyder's initial model was formulated as follows:

$$P_1 \rightarrow H_1 \rightarrow I_1 \rightarrow E_1 \rightarrow P_2$$

where:  $P_1$  is the problem,  
 $H_1$  is the policy (hypothesis),  
 $I_1$  is the implementation stage,  
 $E_1$  is the evaluation and correction stage,  
 $p_2$  is the re-evaluated policy and is followed by  $H_2$   
and so on.

The subsequent policies ( $H_N$ ) are, according to Hyder, not necessarily superior to earlier versions but are "a response either to the process of implementation acting on the environment, or to changes in the environment [within which policy is formulated and enacted]". There are once again obvious parallels here with rational and incremental models of the policy process. Hyder himself anticipated that his evolutionary model could be construed as a simple restatement of the classical "incrementalist" view of the policy process. However, he went on to argue that his model in no way implies that decisions to amend or develop policies need be small or gradual in the way that the incrementalist view suggests, but that changes can be both major and discontinuous. Furthermore, he pointed out that some rational evaluation does take place as policy is revised in the light of experience gained from a period of implementation. Hyder concluded that his "evolutionary model could be regarded as an attempt to bridge the gap between incrementalist and rational views of the policy process"



(Hyder, 1984, p16). This model will be referred to again in the context of our discussion of the development of EC regional policy in Chapter Two.

The theme of conceptualising implementation in ways which synthesise top-down and bottom-up perspectives has occupied a number of other scholars. A prominent example of this approach is the idea of "implementation structure" developed by Hjern and Porter (1981) and subsequently adopted by, among others, Hanf (1982), Wittrock et al (1982), Thrasher (1983), Toonen (1985). Hjern and Porter argued that "a multiorganizational unit of analysis, an implementation structure, should be used when describing and evaluating the implementation of programs" (Hjern and Porter, 1981, p211). This idea was initially a reaction against the earlier top-down approach but in practice it actually "bridges the (perhaps) false polarization of 'top-down' versus 'bottom-up' perspectives" (Barrett and Fudge, 1981, p37). This model describes the entire implementation system without making assumptions about where initiative lies and also permits the identification of elements of "top-down" control which may influence the implementation process. Hjern and Porter suggested that, from the point of view of those who are part of the implementation structure, the network of contacts and interactions involved in a particular policy area may be more important than the actual institutions in which they are formally employed. They argued that many implementation structures are not designed but evolve from the initiative of individuals in response to a particular policy; that is by what Hjern and Porter refer to as "self-selection". In

other words, involvement with a particular policy is often the result of choices made by individuals within organisation operating "on the ground". They concluded that there is a potential "pool of organisations" from which an implementation structure is formed. One concern of this thesis will be to identify the "pool of organisations" in the EC's "implementation structure".

On a related theme, Toonen (1985) argued that the underlying framework of institutions, and the relationships between and power bases among these institutions, will be crucial in determining how policy is implemented. He focussed, in particular, on the differences between federal and unitary systems of Government and the implementation structures that develop under these systems. Both Toonen and Elmore (1985) suggested that federal structures are likely to consist of a wide variety of relatively autonomous organisations, whereas unitary structures are often simpler and more uniform, answering to one ultimate source of authority. In the words of Toonen:

A federalist structure seems to provide the more difficult and complex cases, entailing all sorts of problems in terms of co-ordination, enforcement, persuasion and control. A unitary structure seems to provide a more generous setting for implementing nation-wide policies. The asymmetry of the state seems to favour the centre (Toonen, 1985, p162).

Others may disagree with this assertion. Barrett and Fudge (1981) for example, provided a variety of case studies of implementation in the United Kingdom - a unitary state - which highlight difficulties posed by implementation in a unitary structure. Toonen himself went on to admit that the amount of "federalism" or "unitarism" within political systems can vary greatly across a variety of policies and



that implementation structures need not be obviously "federal" or "unitary" in the respective systems. For the purposes of the present study a key point to note is that the unique institutional structure of the European Community is a particularly interesting framework within which to study policy implementation. The existence of supranational institutions such as the European Commission and the European Court of Justice gives the Community some of the attributes of a federal structure. On the other hand, the member states are enmeshed at all levels of the Community's policy-making and policy implementation systems, thereby distinguishing the Community from a normal federal system.

### 1.3. POLICY MAKING AND POLICY IMPLEMENTATION IN THE EUROPEAN COMMUNITY.

This section is divided into three parts. The first outlines the wider institutional structure of the EC within which policies are formulated. The second provides a general introductory discussion of how Community policies are put into practice. These reviews provide a context for the more specific and detailed studies of the ERDF and ESF presented in subsequent Chapters. The third section outlines a number of conceptual views of the Community's political system which will be assessed in the light of the findings of this research in the study's final Chapter.

#### 1.3.1. Policy-making in the European Community.

The processes by which Community decisions are made and policies formulated are, at their simplest, the result of interactions between two major institutions, namely the Council of Ministers and the European Commission. These institutions are "supranational" in character. In other

words, they are responsible for formulating policies and laws which are binding on the member states and which take precedence over national laws. The Commission is responsible for making proposals for European policies which the Council of Ministers then accepts, rejects or returns to the Commission for amendment. However, other institutions, notably the European Parliament, the European Court of Justice and, to a much lesser extent, the Economic and Social Committee, also impinge on the policy-making process.

The European Commission.

The Commission of the European Community is headed by a group of Commissioners appointed by the member states. Despite their backgrounds as national politicians, the Commissioners are supposed to renounce their national connections and act as servants of the "Community interest". However, it is generally accepted that in practice Commissioners retain some links with their country of origin and are one means of injecting national viewpoints into the deliberations of the Commission.

There are currently seventeen Commissioners - two from the United Kingdom, West Germany, France, Italy and Spain, together with one from each of the seven smaller countries. Each Commissioner is assigned the portfolios for one or more areas of policy. For example, at the time of writing (August 1988), the Commissioners for Regional Policy (including the ERDF) and Social Policy (ESF) are Alois Pfeiffer (a German) and Manuel Marin (a Spaniard) respectively. The work of policy formulation and management is carried out within the framework of twenty-two Directorates General (DGs) each headed by a Director General



of different nationality from the Commissioner with responsibility for that policy sector.

The Commission has three main roles: to act as initiator of policy; to ensure that Community law is respected; and to administer policies and legislation which has been agreed by the Council of Ministers. The Commission does have certain powers of decision in areas specified by the Treaty or designated by the Council. An example of the latter is the ability of the Commission to award ERDF and ESF grants (subject in the case of the ERDF to the approval of a management committee on which the member governments are represented and within the terms of legislation made by the Council). The main power of the Commission is its ability to devise proposals for the Council. In fact, the Council of Ministers can usually only act on the basis of a proposal from the Commission. In formulating these proposals, the Commission is supposed to promote the "common European interest" and/or seek compromise solutions which all member states can accept.

The staff of the Commission do not work in isolation in drawing up proposals. They carry out extensive consultation with national governments, interest groups and "experts" of various kinds. The Commission also participates fully in the network of committees linking the main Community institutions.

#### The Council of Ministers.

The final decisions producing EC legislation and policy are made by the Council of Ministers. The Council is composed of ministers delegated by the twelve member states, but its precise composition is dependent on the matter under

discussion. For example, if agriculture is being considered then those present will be the member states' respective ministers for agriculture.

The process by which the Council of Ministers makes decisions is complex. The Treaty of Rome, which created the European Economic Community in 1957, required "qualified majority voting". According to this system, each member state would be allocated a number of votes based very roughly on population size, although the larger states have far fewer votes and the smaller ones far more than size alone would dictate. This method was intended to apply to many Community decisions, whereas others considered particularly important would be taken by unanimous voting. In the enlarged Community of twelve these shares are as follows:

West Germany, United Kingdom, France and Italy - 10 votes  
Spain - 8 votes  
Greece, Netherlands, Belgium and Portugal - 5 votes  
Ireland and Denmark - 3 votes  
Luxembourg - 2 votes.

Total votes available - 76.

A total of 54 votes are required to achieve what is known as a "qualified majority". As a result the five largest states are unable to muster sufficient votes to overcome the seven smaller countries. The Single European Act (Commission, 1986a), a package of significant institutional reforms which came into operation in July 1987, extended qualified majority voting to a number of policy areas which had previously required unanimity. These include, those concerned with the completion of the Community's common internal market and with the Community's "economic and

social cohesion" (including regional and social policies).

Majority voting was intended to allow Community decisions to be taken by the Council without undue delay. However, since 1966 the reality of the national veto has generally been accepted. At that time, President De Gaulle had taken France out of the Community's decision-making processes for six months. This was a result of French belief in the principle that member states should not be outvoted on matters where important national interests were at stake. The so-called "Luxembourg Compromise" of 1966 ended the French boycott but also allowed governments to prevent decisions being taken by claiming that an issue concerned their "vital national interests". Since then, member states have been able to slow down the decision-making by arguing that many issues threaten these important interests. One problem is that this term cannot be clearly defined and is therefore difficult to challenge. The Single European Act does not remove this obstacle to speedier decision-making and national governments are likely to continue to resist threats to what they consider to be their vital interests.

In the process of negotiation about particular policies and decisions, the Council is aided by the Committee of Permanent Representatives (COREPER), which is composed of permanent ambassadors to the Community appointed by the member states. This body prepares the ground for Council meetings and in practice the Council often simply "rubber-stamps" many minor or procedural decisions which have already effectively been taken by COREPER. Below COREPER is a myriad of other committees which prepare COREPER and Council of Ministers' meetings. These



committees, which sketch out the bases of agreements and identify the main points of conflict, are composed of national civil servants and representatives of the Commission. Uncontroversial matters are effectively settled by these Committees.

In recent years, the European Council, which is made up of the Heads of Government of the twelve member states, has evolved into the institution which takes the major decisions regarding the future of the Community. For example, the negotiations of 1987 and 1988 on the financing of the Community budget and reform of the CAP have taken place at this European Council level. The Council was institutionalised following the 1974 Summit of EC leaders in Paris and meets twice per year (Bulmer, 1985).

#### The European Parliament.

The original architects of the European Community intended that the European Parliament would provide an element of democratic control over the activities of the Commission and the Council. However, it was not until 1979 that the first direct elections to the Parliament were held; previously its members had been appointed from among the members of national parliaments.

The Parliament's main role is consultative. It does have the power to dismiss the Commission (but not to appoint another one) and has some control over the Community's overall budget. However, in most other policy areas it has only been able to give its opinion on Commission proposals and thus has often been peripheral to the more crucial dialogue between the Commission, the Council of Ministers and the national governments. The Single European Act,



however, incorporates the European Parliament more firmly into the decision-making process. The Council of Ministers must make decisions "in co-operation with the European Parliament". In practice, this allows the Parliament to block decisions taken by the Council with which it disagrees and to force the Commission to re-examine its proposals. A revised proposal from the Commission must then be adopted unanimously by the Council. However, Parliament's opinion remains non-binding and need not necessarily be incorporated into the final decision. Nevertheless, the power to interrupt decision making may in future mean that Parliament's opinion is taken more fully into account.

#### The European Court of Justice.

A further important Community institution is the European Court of Justice, which is responsible for giving final legal judgement on interpretations of the Paris and Rome Treaties and on the operation of Community legislation. Private individuals, firms, local authorities, national governments or the Commission can appeal to the Court (which consists of judges appointed by the member states) when they consider that Community legislation is not being implemented as intended.

#### Other institutions.

Finally it is briefly worth mentioning two other Community institutions. The Court of Auditors exists as a watchdog for Community revenue and expenditure. It has powers to enquire into how Community money is being spent and is particularly interested in the activities of the various Community financial instruments. The Economic and Social Committee (ECOSOC) has a somewhat peripheral

advisory role. It was established to inject an element of "public opinion" into the Community's decision-making process and provide another "expert" source of advice. ECOSOC consists of representatives of unions, employers and other general interest groups and its members are proposed by the member states. It is divided into a number of specialist sub-committees which give opinions on Commission proposals. However, its influence on decision-making is minimal.

### 1.3.2. Policy implementation in the European Community.

Having outlined the institutional structure within which European Community policies are formulated, the discussion now proceeds to consider how these decisions and policies are put into practice.

Implementation of Community policies takes a number of forms depending on the legal status of the particular legislation. There are five types of legal instrument: Regulations, Directives, Decisions, Recommendations and Opinions. The latter two have no binding force and do not arise during this study. However, the first three, which are legally binding to varying degrees, are of importance in the current context and are implemented in different ways. Regulations have direct effect on member states and must be applied in the same way as national laws, over which they take precedence. Directives are also legally binding as regards the aims to be achieved but it is left to national governments to decide exactly how they should be put into effect. Finally, Decisions are concerned with specific problems and are binding on those whom they effect, whether they be governments, private organisations or individuals.

In most policy sectors member states are primarily responsible for the implementation of Community legislation. However, the European Commission may also be involved in a variety of different ways. In the majority of cases this role is restricted to supervising and monitoring the implementation by national governments of Regulations and Directives. On the other hand, in a limited number of cases such as common policies for agriculture and the steel industry, the managerial role of the Commission is a more central component of the implementation process. In some areas, management committees have been created to increase collaboration between responsible national authorities and the Commission. The major examples of these are the committees which supervise the production and marketing of agricultural products and those which participate in the operation of the ERDF and ESF (see Chapters 3 and 6).

In one of the few previous studies concerned explicitly with the implementation of Community policies, Coates (1984) concluded that in the development of common food standards the uncontroversial nature of legislation led to the creation of a relatively small "policy community" allowing the legislation to be almost "self-implementing", uninhibited by pressure for radical change within a complex institutional structure.

In other areas the picture may be somewhat different. Some policies are carried out much more in the "public eye" and hence are likely to encounter greater problems as they are put into practice. This examination of the ERDF and ESF will amply illustrate that policies which concern the potentially emotive issue of allocating



financial assistance may extend the number of organisations involved in the Community process. In spite of this, few studies have been made of how, where and on what Community money is spent. A brief study of the implementation of Community funds by Coates and Wallace is one of the few examples. They concluded that "implementation in the United Kingdom has been administratively efficient ... technically the formal requirements of implementation have been largely fulfilled" (Coates and Wallace, 1984, p180). They went on to say that there is evidence of limited EC influences "seeping through the filters which continue to separate Community and national officials, but there is no new policy community yet emerging to transcend the boundary between the two" (Coates and Wallace, 1984, p180).

A modest number of other studies have also focussed implicitly on how Community funds, including the ERDF and ESF, are operated. Glasson and McGee (1984), for example, carried out a survey of all local authorities in Great Britain to examine the reasons for varying local responses to the opportunities provided by all forms of EC aid. They concluded that in 1982, when the research took place, counties in the assisted areas of England and Wales and some Scottish regional councils were very aware of the availability of Community financial assistance and were well organised to gain access to it. On the other hand, many authorities outside assisted areas regarded the EC as a "shadowy spectre irrelevant to our situation" (district council officer quoted by Glasson and McGee, p27). Their research emphasised the importance of information and the initiative of individuals in determining how involved



authorities were with the EC (McGee, 1982; Glasson and McGee, 1984).

A more detailed case-study by Preston (1985 and 1986) concentrated on local-authority responses to the ERDF in the County of Humberside. This research pointed to a variety of external and intra-organisational factors which determined local-authority responses to the ERDF opportunity. Preston's external factors included the availability of advice and assistance and central Government controls on capital expenditure. Those factors which were internal to the organisation included local political beliefs and individual initiative.

The ESF has received less attention than the ERDF. However, Collins (1983) provided a general survey of the operation of the Fund in the UK prior to its most recent reform in 1983. Her study is the most useful secondary source on the ESF before its reform. Furthermore, Laffan (1983) produced a paper concerned more explicitly with the implementation of the ESF prior to the 1983 reforms. She concluded that:

the implementation process is best viewed from the bottom up with low central control. The Commission ... is heavily dependent on national bureaucracies to operationalise the Fund (Laffan, 1983, p407).

This thesis will demonstrate that Laffan's conceptualisation of national government involvement as "bottom-up" seriously misrepresents the position of the member states in the EC's institutional hierarchy. The national governments are also able to exert significant control over the implementation process and are therefore in no sense subordinate to the supranational Commission.

### 1.3.3. The European Community: supra-national or intergovernmental decision making.

The main purpose of this section is to place this study of the implementation of specific Community policy instruments into the broader debate about the nature of the EC. The ideas outlined in brief here will subsequently contribute to our understanding of how Community policies are implemented and whether policy objectives are achieved. At the same time, these findings may shed some light on the nature of the Community's institutional structure.

One aim of the original architects of the European Communities in the 1950s was that "supranational" institutions "above" the level of the nation states should be given decision-making powers to create policies and pass laws which would be binding on member states and would take precedence over national laws. The Treaty of Rome created a number of supranational institutions. These included: the Council of Ministers; the European Commission; the Court of Justice; and the European Parliament. It was often argued that European integration would involve the gradual transfer of national sovereignty over economic and political matters to these higher authorities (Haas, 1968; Lindberg, 1963). Others have questioned the desirability of such a goal. Holland (1980) argued forcibly that the move towards supranationalism would lead to the marginalisation of national parliaments in favour of the crucial dialogue between the Commission and the Council of Ministers. Moreover, Holland was particularly suspicious of the idea of majority voting, which he felt would "relegate whole nation states and major regions to minority status" (Holland, 1980,



p127).

However, a series of institutional innovations in the 1960s and 1970s mean that Holland's arguments appear overstated. Many observers argued, firstly, that sovereignty was not being transferred to a supranational level of authority and, secondly, that national governments not only had remained the dominant actors in the EC's policy-making process but had retained a large degree of independence from supranational institutions (Wallace, 1973; Webb, 1977; Wallace, 1982; Taylor, 1983;). Foremost among these developments was the crisis of 1965/66 which led to the "Luxembourg Compromise" and the assertion of the primacy of "national interests" as defined by governments. Moreover, the development of COREPER and the emergence of the European Council (George, 1985; Bulmer, 1985) were also regarded as evidence of a decline in supranational authority in favour of "intergovernmental" decision-making forums in which national governments were the dominant actors. As early as 1966, Hoffman emphasised the importance of national governments in determining the pace of integration. He viewed them as the "gatekeepers" between domestic political systems and the Community. Furthermore, William Wallace (1983) argued that:

the conceptual mistake of the most enthusiastic supranationalists was to assume that the Community would succeed in entirely displacing the actions and authority of national governments, and that it would displace their actions over a steadily widening range of issues (W.Wallace, 1983, p420).

The intergovernmental approach regarded governments as independent, cohesive units able to identify and defend a

set of general interests and priorities which can be defined as the "national interest" (H.Wallace, 1973; Taylor, 1983). Furthermore, the approach assumed that sovereignty is an intrinsic element of nation states and is best kept in national government hands.

However, the intergovernmental perspective has also been criticised for a number of reasons. Firstly, national governments are by no means coherent, monolithic structures (Webb, 1983). On the contrary, they are responsive to a whole range of domestic political and economic interests. The intergovernmental view neglects the mechanisms by which domestic policy-making environments affect the negotiating positions of governments within the Community's decision-making system (Bulmer, 1984; W.Wallace, 1982). John Pinder (1981) argued that attention should be focussed on political decisions and strategies within member states. It is these processes which determine the capacity of member states to transfer policy instruments to supranational authorities. Moreover, these conflicting domestic pressures may lead to a lack of coherence between different national ministries. In this regard, Bulmer (1983) cites the long-standing conflict between the desire of successive German Finance Ministers to control Community spending and the desire of German Agriculture Ministers to maintain the incomes of German farmers by means of high guaranteed prices.

A second problem associated with the intergovernmental view is that it overlooks the many contacts between ministries in different national governments. The consensus-building mechanisms between



member states on various policy issues are a crucial aspect of the Community's policy-making system. The term "transgovernmentalism" has been used to characterise these processes (Webb, 1983).

In common with the idea of "transgovernmentalism", other authors have stressed the "interdependence" of nation states in the Western economic system. Keohane and Nye (1975), for example, emphasised that economic and political power has become diffused among "transgovernmental coalitions" and that individual governments have lost much of the power to determine their own economic destinies. However, they also argue that supranational institutions in the EC have not, as yet, eclipsed the power of member governments. Keohane and Nye describe the EC as an "international regime" and play down the role of both the Community institutions and the EC's legal framework. Puchala (1975) also minimalised the role of Community institutions. He describes the Community as a "system of managed interdependence".

The "interdependence" perspective can be criticised, however, for under-estimating the role of the Community's legal and institutional framework (George, 1985). The Commission does have the power to make proposals and can make certain decisions designated by the Treaties or the Council of Ministers. Furthermore, the Council is in many ways a "supranational" institution. Although member governments try to protect their interests within this framework (and often succeed), the decisions which the Council does frequently make (often by qualified majority voting) are based on compromises which take both varying

national viewpoints and the "Community" considerations of the Commission into account. Indeed, recent developments, particularly the entry into force of the Single European Act, may have served to extend the process of majority voting. Arguably, therefore, there are continuing and perhaps increasing elements of "supranationalism" in the way in which the Community operates and therefore renewed fears for those such as Holland who seriously question the desirability of supranational decision-making. William Wallace (1983) supported this view, arguing that the Community is "more than an international regime". No perspective accounts for all variations in policy processes and aspects of each may be relevant. Webb suggested that the EC is a "multi-level political system which lacks a clearly defined and universally acceptable hierarchy for policy making" (Webb, 1983, p38).

One broad, secondary aim of this thesis is to see what light this specific case study of policy implementation sheds on these larger encompassing perspectives about the nature of the EC. Although our ambitions are strictly limited, just as researchers such as Wallace, Wallace and Webb (1977 and 1983) have tried to relate analyses of policy making to these broader themes, so this study will see what insights policy implementation studies might provide. The remainder of Chapter One examines the methods and sources used to carry out this analysis.

#### 1.4. OUTLINE OF THE STUDY: DATA SOURCES AND RESEARCH METHODS.

The methods and sources employed in this study were

designed to tackle two related themes. Firstly, in order to examine the extent to which a variety of the Funds' "operational" objectives are being achieved, use was made of data on the allocation of ERDF and ESF expenditure in the UK. Secondly, the research was concerned to obtain data and information on the processes by which the two funds are allocated so that the impact of the implementation process on the achievement of policy objectives could be assessed.

#### 1.4.1. The allocation of the ERDF and ESF: sources and methods.

Data on the allocation of the ERDF and ESF were obtained from a variety of published and unpublished sources. The main sources available at the Community, UK national and South West England levels are outlined in Table 1.1. Additional economic and unemployment data have been obtained from a variety of other sources. These include the Statistical Office of the European Community which publishes economic, unemployment and other data on a Community-wide basis. Other sources include the unemployment statistics published by the Department of Employment in "Employment Gazette" and data on local-authority expenditure published by the Chartered Institute of Public Finance and Accountancy (CIPFA). These data have been used to measure, firstly, the "need" of areas for European Community assistance and, secondly, the relative success areas have had in attracting Community grants.

#### 1.4.2. The implementation of the ERDF and ESF: sources and methods.

The complexity of the processes involved in the



TABLE 1.1: ERDF AND ESF DATA SOURCES

Spatial scale	Published sources	unpublished sources
European Community	Annual Reports of the ERDF and ESF (Commission). The monthly Bulletin of the European Community (Commission).	
United Kingdom	Lists of projects funded by the ERDF in British Business by the Department of Trade and Industry. There are no published lists ESF projects in the UK.	Lists of projects funded by the ERDF have also been obtained from the European Commission. The Commission and the Department of Employment have both supplied lists of ESF projects the UK.
South West England	The above data from the DTI include a regional break- down of ERDF projects in South West England.	The data from the Department of Employ- ment include a breakdown of ESF grants

implementation of Community funds does not make research easy. Many important decisions and interactions are undocumented. Moreover, material that is readily available often does little to illuminate the detailed mechanisms by which funds are allocated. Consequently, this study made use not only of the limited documentary evidence but also (and more importantly) of data derived from interviews and questionnaires.

#### Documentary sources.

There is very little published documentary evidence available on how the ERDF and ESF are put into effect. Almost the only material that is available is that produced by the European Commission. The most useful sources are the Annual Reports of the ERDF and ESF. These contain interesting data on the applications submitted and the grants that are made broken down to the regional level. The Annual Reports also provide helpful comment on the problems that are being encountered from the point of view of the Commission. A second somewhat less useful source of information from the Commission is the series of COM documents which set out the ideas and working practices of the Commission over the whole spectrum of Community policies. From time to time and in an ad hoc manner, these COM documents provide snippets of information which are of use in analysing the implementation of Community regional policy.

From the viewpoint of the academic analyst neither the COM documents nor the Annual Reports provide sufficiently detailed insight into the processes at work. The unpublished and often confidential documentation

generated within the Commission for internal use may provide a richer source. However, the time and financial resources necessary to gain access to this material were beyond the scope of this study, concerned as it is to adopt an holistic view of the whole implementation system rather than to focus explicitly on the role of the Commission.

At the national level documentary evidence is in even shorter supply. The United Kingdom Government produces very little written material for external consumption on how the ERDF and ESF are implemented within the UK. The only exceptions are the Notes for Guidance produced by the Department of the Environment (DoE) and the Department of Employment (DE) for potential applicants for ERDF and ESF grants respectively. However, these are of little use in understanding in detail the role of the UK Government in the decision-making process.

At the local or regional level, written evidence is again very scarce. Within South West England, Devon and Cornwall County Councils produce annual policy documents which set out all their major policies and programmes and include very brief accounts of the use made of Community funds (Cornwall County Council, 1986; Devon County Council, 1987). Of greater interest to the researcher are the files which are invariably kept by organisations regarding their involvement with Community funds. Cornwall County Council, for example, holds voluminous files containing all manner of documents, correspondence and minutes of meetings which could be a highly profitable source of information for a more detailed study of the activities of a single local authority. Although some use



was made of the information contained in such files, the overall view taken of the implementation system involved extracting information from such a large variety of organisations. Therefore, no detailed or systematic study of files could be carried out.

One published secondary source of information which has been used frequently in the course of this research is the European Information Service (EIS) bulletin published each month by the British Sections of the International Union of Local Authorities/ Council of European Municipalities and Regions (IULA/CEMR). This publication provides useful information on discussions held between officials of the Commission, the United Kingdom Government and local authorities to which the researcher would not otherwise be able to gain access. It also provides information derived from the daily communiques released by Agence Europe, a news agency based in Brussels which is primarily concerned with the activities of the EC.

The absence or inaccessibility of detailed documentary evidence on the operation of the ERDF and ESF means that a fundamentally different approach to the gathering of detailed data was required; namely the use of personal interviews and questionnaires. These are tried and tested methods of social science research and there is a large volume of literature on their usage. There is no need to review this material in any detail (see for example Dexter, 1970; Bulmer, 1978; Young and Mills, 1979; Oppenheim, 1986). Nevertheless, it is necessary briefly to discuss those methods which were employed during the current research and to explain and justify their use.

## Interviews.

The major information-gathering tool of this research was a series of 50 interviews carried out with actors in organisations involved in applying for and allocating ERDF and ESF grants. These interviews can be divided into three categories: interviews with the appropriate Directorates General of the European Commission in Brussels; with representatives of the United Kingdom Government Departments concerned with administering applications; and with actors in organisations which apply for Community grants. A summary of these interviews is given in Table 1.2 and a more detailed list is given in Appendix One. The details of the interviews carried out at each of these three levels will be examined more thoroughly in Chapters Three to Eight which form the major original empirical contribution of this thesis. Nevertheless, at this juncture it is necessary to elaborate somewhat on the ways in which potential interviewees were identified and selected.

In most cases the relevant actors were identified by the use of key informants in particular organisations who were able to point to the actors in other institutions involved in applying for and administering Community grants. In this way it was possible to identify the network of individuals and organisations (the "pool of organisations") involved in the process of implementing the two funds. This was paralleled by a search for the most appropriate sample of organisations in which to interview. At the national and Community levels it was clearly necessary to interview those actors directly concerned with administering the Funds and making decisions on their allocation and therefore no

TABLE 1.2: SUMMARY OF THE INTERVIEWS CARRIED OUT IN THIS STUDY.  
(number of interviews in brackets)

Institutional level	Organisations in which interviews were carried out
European Community	Directorate General for Regional Policy - ERDF (5)
	Directorate General for Social Affairs and Employment - ESF (4)
	Directorate General for Co-ordination of structural instruments (2)
	European Parliament - 5 interviews were carried out with EP officials concerned with regional and social policy
National	Department of the Environment - (2) (ERDF)
	Department of Trade and Industry - (1) (ERDF)
	Department of Employment - (4) (ESF)
	National Council for Voluntary Organisations - (1) (ESF)
	Engineering Industry Training Board - (1) (ESF)
Local/regional	Local Authorities - County Councils (7) (ERDF and ESF)
	District Councils (12)
	Public utilities - South West Water Authority, South West Electricity Board
	Other recipients of grants - (3) (ERDF and ESF)
	Consultancy Companies - (2) (ERDF and ESF)
Regional Office of the Department of the Environment - (1) (ERDF)	



sampling as such was carried out. In addition, interviews were essential in nationally-based organisation such as the Manpower Services Commission and the Engineering Industry Training Board which are involved in applying for and administering ESF grants.

At the South West regional level the large variety of organisations involved, together with differences in the operation of the two Funds meant that it was appropriate to adopt two different approaches. In the case of the ERDF, interviews were carried out with recipients of grants in the region. These included most of the eligible local authorities and public utilities as well as a number of other organisations which have been awarded ERDF grants. Those ERDF recipients which were not interviewed were those which had made very little use of the Fund. However, these organisations were contacted by telephone in order to obtain a relatively small amount of information. The ESF, on the other hand, provided a number of different problems because of the much larger number and more disparate nature of the applicants for grants. As a result, a combination of interviews and questionnaires was used to obtain the necessary information. Interviews were carried out with all local-authority recipients of ESF grants in the South West. However, in the case of ESF recipients in the private and voluntary sectors, postal questionnaires were deemed to be the most appropriate means of extracting information (see below).

The research used semi-structured interviews to elicit the required information from respondents. In this type of interview the researcher has a list of questions

and topics to discuss, but the way the interview is directed and the precise questions asked are dependent on both the researcher's discretion and to some extent of course on priorities and attitudes of the interviewees. However, a number of basic questions were asked of all respondents. This type of interview, as opposed to those which are more structured, produces few data which can be quantified and analysed statistically. Nonetheless, it was believed that a standardised questionnaire designed to produce statistical precision could only scratch the surface of the complex processes operating in a variety of different organisations. However, Chapters Five and Eight do make some effort to compare interviewees' responses to certain common questions. The interview schedules used for local authorities, public utilities and Central Government are set out in Appendices Two and Three. The variety of different organisations and differences between the two funds meant that the questions asked in particular interviews inevitably varied. The three interview schedules are therefore only indicative of the questions which were asked.

#### Questionnaires.

Two modest postal questionnaires were carried out: one with ESF recipients in the private sector and one with those in the voluntary sector (Appendix 4). These were intended to produce some information on how these organisations initiate applications for ESF aid and the problems encountered when applying. Questionnaires were sent to all organisations which have received ESF grants over the study period adopted for the ESF (1984-1987).

Questionnaires were chosen instead of interviewing a sample of the recipients for two related reasons. Firstly, the moderate amount of information required could be adequately elicited, despite any problems of low response rates, from a simple questionnaire of this kind. Furthermore, the desired information was not sufficiently detailed or central to the project to warrant the expense of travelling the length and breadth of South West England in order to carry out interviews.

In conclusion, this first chapter has set out the general scope of this research and its objectives. The reader has been introduced to the literature on public-policy implementation and its relevance to the EC, as well as the wider issue of the nature of the Community. In addition, the methods and sources which have been used to tackle the aims of the study have been outlined. The following Chapter introduces the central subject of this thesis; namely European Community regional policy and, in particular, the European Regional Development Fund and the European Social Fund.



CHAPTER 2: THE DEVELOPMENT AND OVERALL GOALS OF EUROPEAN  
COMMUNITY REGIONAL POLICY: THE ROLES OF THE EUROPEAN  
REGIONAL DEVELOPMENT FUND AND THE EUROPEAN SOCIAL  
FUND.

2.1. INTRODUCTION.

This chapter examines the development and overall goals of European Community regional policy and the roles of the European Regional Development Fund (ERDF), which is the major policy instrument, and the European Social Fund (ESF), which also has important regional objectives. The discussion provides a necessary background for chapters Three to Eight which examine in detail the specific "operational" objectives of the two funds and how they are implemented in the United Kingdom. This Chapter also looks briefly at the changes in the Community's regional policy heralded by the adoption of the Single European Act in July 1987.

The difficulty identified in Chapter One of distinguishing between policy-making and policy implementation is not ignored here. The view that these two stages of the policy process are indistinguishable (Hill et al, 1979; Barratt and Hill, 1984) does not apply to these case-studies. The Council of Ministers Regulations and Decisions controlling the ERDF and ESF (Council Regulation (EEC) 1787/84, Council Decision 83/516/EEC, Council Regulation (EEC) 2950/83) are clearly identifiable as the points at which policies are ready to be put into effect. Therefore, this study starts by taking the completion of these Regulations as the dividing line between policy and implementation, thus supporting Sabatier's view (1986) that

it is both possible and desirable to make such a clear conceptual distinction. However, the analysis outlines a number of changes made to these Regulations over time which suggest that the further development of policy is indeed influenced by the process of implementation (Hyder, 1984). This analysis is a crucial background to the study of implementation, since many of the factors influencing policy formulation are likely to be of equal importance during implementation.

Before discussing the development of EC regional policy, it is necessary, first, to outline briefly the extent of spatial disparities in the Community and, second, to place the EC's regional development efforts in the context of national attempts to reduce these inequalities.

## 2.2. REGIONAL DISPARITIES IN THE EUROPEAN COMMUNITY.

European Community regional policy has developed in response to the perceived existence of wide disparities in socio-economic welfare among the countries and regions of the Community. However, the extent of these disparities has altered over time in response to both changes in the European economy and an increase in the number of Community member states to twelve.

When the Treaty of Rome, which created the European Economic Community, was signed in 1957 only the Mezzogiorno of Southern Italy was suffering from serious economic problems. Of the other member states, only the rural areas of southern, central and western France were significantly less-developed. Moreover, it was

believed by many at the time that the creation of the Common Market would itself be sufficient to reduce disparities between rich and poor regions (Talbot, 1977; Wallace, 1977).

During the 1960s it seemed as if this belief would prove to be correct. In this period there was a marked convergence of Gross Domestic Product (GDP) per capita between member states (Commission, 1987b). Moreover, the gap between the richest and poorest regions in terms of GDP per capita narrowed from a ratio of 4:1 in 1965 to 2.9:1 in 1970 (Commission, 1973a). This period was characterised by high overall growth rates in most of the six member states.

Following the economic crisis of the mid 1970s, overall growth rates declined substantially and regional disparities began to widen once more. By 1977 the ratio between the richest and poorest regions had again reached 4:1. Following the accession of Greece to the EC in 1981, it increased to 5:1 (George, 1983). By 1985, GDP per capita in the Community's richest region around Groningen in Holland was more than five and a half times that of the poorest, namely Thrace in Greece (Commission, 1987b).

The most recent comprehensive review of regional problems in the EC is the Commission's "Third Periodic Report on the Social and Economic Situation and Development of the Regions of the Community" which was published in 1987 (Commission, 1987b). This report, which followed the enlargement of the EC in 1986 to include Spain and Portugal, pointed out that regional inequalities are partly the result of differences between member states and partly of those within countries.



Figure 2.1 illustrates the main differences in levels of wealth and employment between member states. This shows that the ratio between the richest and poorest countries is of the order of 2.4:1. Moreover, the three most recent members of the Community - Greece, Portugal and Spain - are all well below the EC average. As regards unemployment, disparities between states are again wide. In Spain, unemployment in 1985 stood at 21.5% compared with just 2.5% in Luxembourg. Furthermore, the three most affluent countries all have unemployment rates below the Community average. However, the two weakest member states in terms of per capita GDP (Greece and Portugal) have comparatively low unemployment rates. This is caused by the predominance of underemployment, particularly in agriculture, which means that many people are gainfully employed only part-time, but are excluded from official unemployment figures.

There are thus clear disparities between member states in terms of per capita GDP and unemployment. However, inequalities also exist within countries. In Italy, for example, unemployment in 1986 ranged from 19.3% in Sardinia to just 4.6% in Valle d'Aosta in the North West. Moreover, per capita GDP in Lombardy, the region around Milan in the North, was more than double that of Calabria in the South. In Spain, there is a clear prosperity gradient from North East to South West. Per capita GDP in the Basque region, for example, is more than twice that of Extremadura (Commission, 1987b).

These intranational disparities are also found in countries where overall levels of GDP and employment are relatively high, demonstrating that regional problems are



# UNEMPLOYMENT RATES

% 1985

EC=10.8%

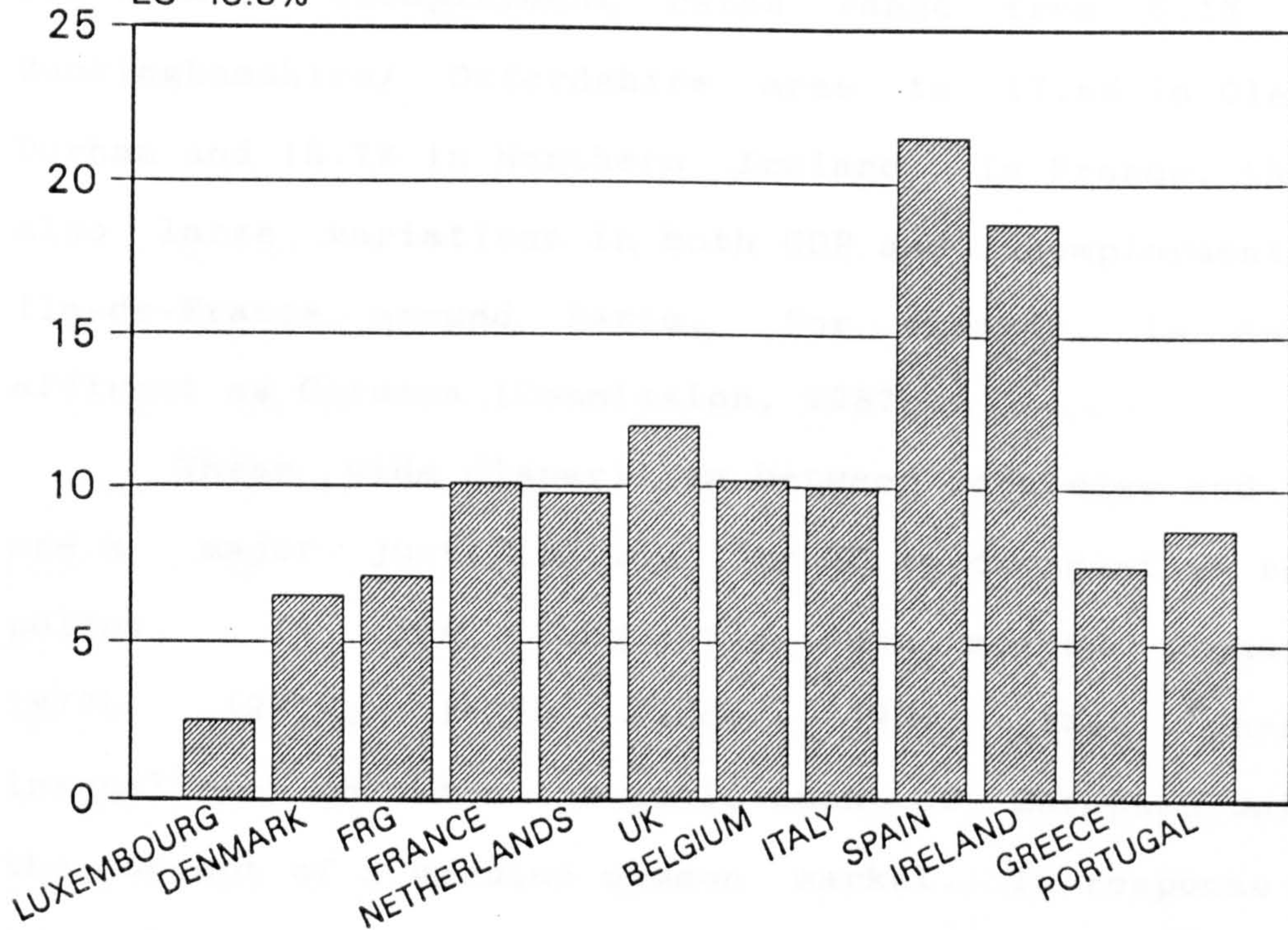


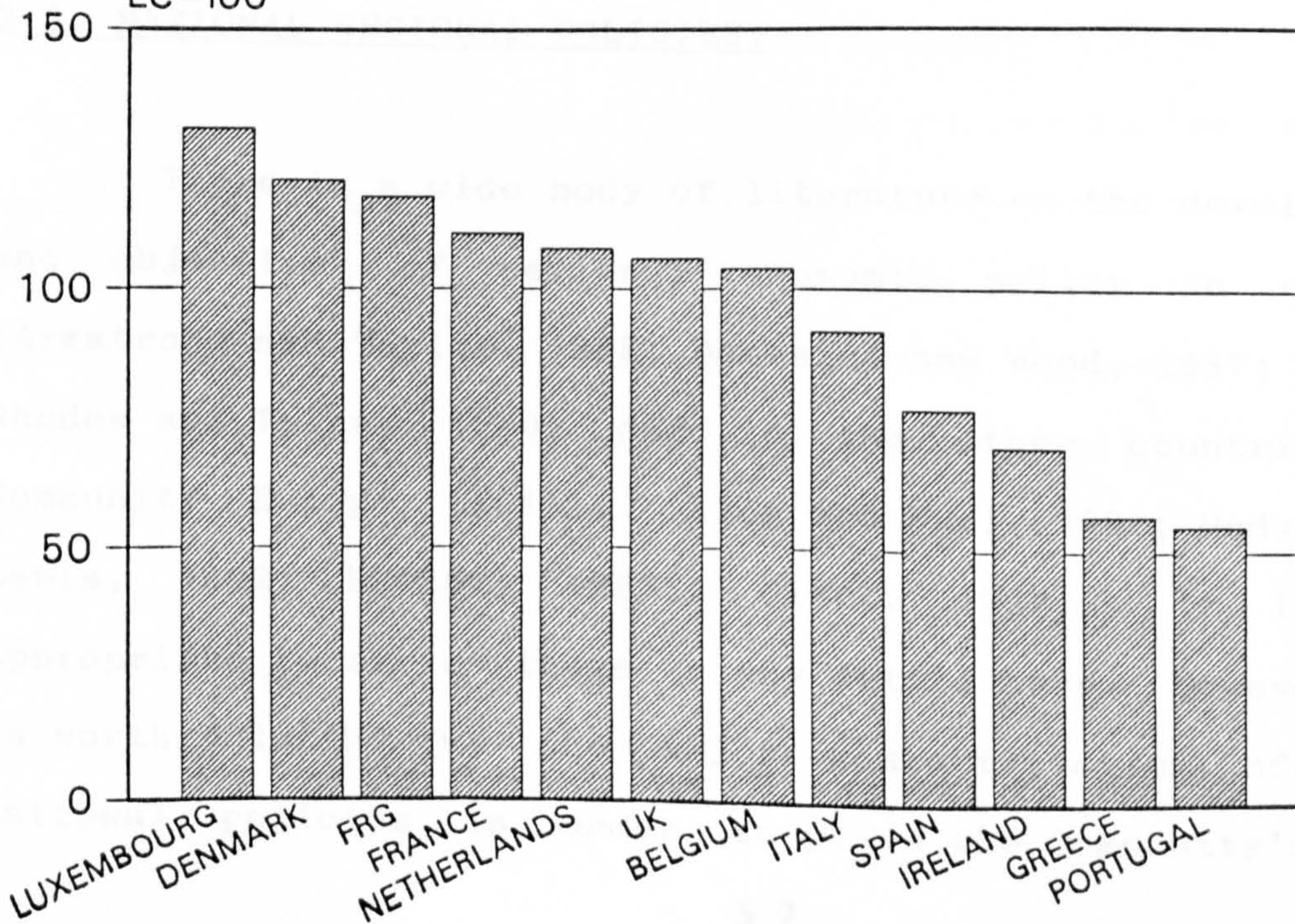
FIGURE 2.1

DISPARITIES IN WEALTH AND UNEMPLOYMENT BETWEEN MEMBER STATES

# GDP PER CAPITA

1985 PURCHASING POWER PARITIES

EC=100





not confined to the less-developed member states. In the UK, for example, unemployment rates range from 6.1% in the Buckinghamshire/ Oxfordshire area to 17.6% in Cleveland/ Durham and 18.7% in Northern Ireland. In France, there are also large variations in both GDP and unemployment. The Ile-de-France around Paris, for example, is twice as affluent as Corsica (Commission, 1987b).

These wide disparities between countries and regions are a major justification for EC involvement in regional policy. It has frequently been argued (Commission, 1977b, 1981a, 1987b, Pinder, 1983) that persistent inequalities threaten the achievement of European union and the concept of a genuine common market. In response to the inequalities within states, all Community member countries have pursued their own regional policies. In order to put the EC's efforts into perspective, it is necessary briefly to dwell on the main characteristics of these national policies.

### 2.3. NATIONAL REGIONAL POLICIES.

There is a wide body of literature on the development and objectives of regional economic policy in the UK (Armstrong and Taylor, 1985; Damesick and Wood, 1987; Moore, Rhodes and Tyler, 1980) and in the other countries of Community Europe (Yuill, Allen and Hull, 1980; Hudson and Lewis, 1982; ECOSOC, 1985; Clout, 1987). It is not appropriate to review these in any detail here. However, it is worth pointing out the major characteristics of these national policies in order to place the Community's role



into context. Because this research is especially concerned with the UK, the following comments are also based primarily on the British experience.

Until the economic crisis of the mid-1970s and the subsequent onset of recession, regional policies enjoyed a period in which their utility was not generally questioned. However, the latter half of the 1970s witnessed a breakdown in the existing consensus on the role of regional policy. Traditional regional policy, which was primarily concerned with encouraging firms to move from areas of low unemployment to the regions where unemployment was high, became the target of a variety of criticisms. For example, the automatic nature of regional grants was criticised for providing aid to schemes which had no locational choice and would have gone ahead in an assisted area in any case. Furthermore, aid schemes were criticised for concentrating on the declining manufacturing sector rather than on the service sector where the opportunities for growth may have been much greater (Damesick, 1987).

Armstrong and Taylor (1985) complained about the lack of clarity of regional policy objectives in the UK. They argued that regional policy aims should be more specific and should be quantified in order to allow their effectiveness to be measured. However, as Chapter One showed, a lack of clear objectives is a common failing of public policies in general and is likely to cause problems for both policy implementation and attempts to measure policy effectiveness.

In response to these sorts of criticisms, regional policies in the 1980s have been undergoing a number of

significant changes. For example, there have been substantial reductions in total spending on regional aid schemes. In the UK, aid provided by the Department of Trade and Industry (DTI) fell from a peak of £1300 million in 1975/76 to just £350 million in 1985/86 (Armstrong and Taylor, 1987). Reductions in regional aid budgets are also apparent in other EC member states (Allen, Yuill and Bachtler, 1987). These spending cuts have been paralleled by more explicit targetting of aid on the neediest areas. In the UK, for example, the map of assisted areas has been reduced substantially since 1979 and most recently in 1984.

In Britain and elsewhere, policy makers and others have argued in favour of a variety of new directions for regional policy (Allen, Yuill and Bachtler, 1987; Armstrong and Taylor, 1987; DTI, UK Regional Development Programme 1986-90; Secretary of State for Trade and Industry, White Paper, 1988; European Parliament, 1986a). These include, firstly, a general change from automatic to discretionary grants. The 1988 reforms in the UK abandoned entirely the system of automatic Regional Development Grants. In other countries there has been a similar, albeit less radical, move away from automatic incentives in favour of discretionary schemes which target the most needy projects (Yuill and Allen, 1987). Secondly, increasing emphasis is being placed on aiding the service sector and on assisting small firms in order to utilise the indigenous resources of problem regions to create economic growth in sectors such as tourism and services (Damesick, 1987; Allen, Yuill and Bachtler, 1987; Martin, 1987). According to the DTI's Regional Development Programme for 1986 to 1990, which forms

the framework for EC regional aid in the UK:

devising means by which new and small firms can be encouraged in the Assisted Areas is one of the major challenges of regional policy (DTI, 1986, para 2.18).

The 1988 reforms in the UK created two new types of incentive which aim to assist the small-firm sector; namely "Innovation Grants" for firms employing less than twenty-five people and "New Enterprise Initiatives" for helping with the costs of setting-up small-business consultancy services (Secretary of State for Trade and Industry, White Paper, 1988).

These are the major characteristics of recent developments in the national regional policy arena. It should be emphasised, at this juncture, that spending on economic development in problem areas is not the exclusive domain of central government regional aid schemes. Armstrong and Taylor (1987) point out that, in the UK, a large variety of organisations have become active in trying to stimulate economic development in the assisted areas. In Britain, assistance to private firms is now available from local authorities; English Estates; the Highlands and Islands Development Board; the Mid-Wales Development Board and the Development Commission. In fact, Armstrong and Taylor calculate that, in 1983/84, "spatial industrial policies" of one sort or another amounted to approximately £1.4 billion. Of this total, only about 35% was provided by the DTI's regional incentive schemes. A further increasingly important component of total public spending in problem regions is the assistance provided by the EC.

Having outlined national attempts to reduce disparities, we can now examine the development of Community



regional policy and the roles of the European Regional Development Fund and the European Social Fund.

#### 2.4. ORIGINS OF EUROPEAN COMMUNITY REGIONAL POLICY.

The Treaty of Rome contained a number of references to helping problem regions, albeit these did not add up to a coherent regional policy. The preamble of the Treaty declared that its signatories were:

anxious 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 (Preamble of Treaty of Rome, 1957).

However, other sections of the Treaty simply set out various general regional aims without providing the mechanisms to achieve them. Among these Treaty provisions are articles concerned with reducing disparities between agricultural regions; avoiding threats to employment in the regions; assisting transport concerns in under-developed areas; and (in the Chapter on competition policy) permitting state aids in areas of high unemployment or low standards of living.

The Treaty did create one institution designed to play a more positive part in aiding problem regions. One of the objectives of the European Investment Bank (EIB) was to provide loans to "help finance projects for developing less-developed regions" (Treaty of Rome, 1957, Article 130). The EIB was intended to be of particular use in helping the Italian Mezzogiorno.

Another source of financial assistance created by the Treaty of Rome was the European Social Fund (ESF). Initially the Fund was designed to "improve employment

opportunities for workers in the Common Market and to contribute thereby to raising the standard of living" (Treaty of Rome, 1957, Article 123). However, it was not explicitly regional in nature. The ESF is a major focus of this thesis and its subsequent development and growing importance as an instrument of regional policy are discussed in greater detail in section 2.6.

The regional provisions of the Treaty of Rome, together with the inherent bias in favour of declining coal and steel regions of the grants provided by the European Coal and Steel Community (ECSC) created by the Treaty of Paris in 1952, could not be regarded as a coherent regional policy. What was lacking was, firstly, any means to co-ordinate these disparate instruments into a genuine Community policy and, secondly, a Community Fund concerned exclusively with regional development.

It was not until the creation in 1967 of a new Directorate General for Regional Policy (DG XVI) that the Community had the means to create these policy pre-requisites. The President of the Commission, Jean Rey, soon displayed the Commission's determination to create a more genuine regional policy when he stated that regional policy in the EC "should be as the heart in the human body ... [aiming] to re-animate economic life in regions which have been denied it" (quoted in Wallace, Wallace and Webb, 1977, p140). In, 1969 DG XVI issued a Memorandum on Regional Policy which suggested that continuing disparities among the regions held back the successful implementation of other Community policies (Commission, 1969). This Memorandum therefore proposed that a Regional Development

Fund and a Regional Development Committee should be created. These suggestions met with a lukewarm response from most member states. Only Italy was clearly committed to a Community regional policy. Other member states preferred to retain national control over their own policies and avoid Community interference. At this stage, no consensus existed on the role of the Community in the regional policy arena.

Nevertheless, regional policy was soon to assume a much higher position in the list of Community priorities. Wallace (1977) suggested two reasons why this was so. These were, firstly, the Community's objective of Economic and Monetary Union and, secondly, the first enlargement of the Community in the early 1970's.

In 1969, the Hague Summit of EC Heads of Government called for the realisation of Economic and Monetary Union (EMU) within the Common Market. However, the debate which followed this declaration suggested that regional imbalances would prejudice the achievement of EMU. Moreover, it was argued that EMU could actually worsen the problems of disadvantaged regions by exposing them to increased competition from the more prosperous parts of the Community. Hence, the creation of a financial instrument of Community regional policy began to be seen as a necessary parallel to the progressive establishment of economic union.

The negotiations on the enlargement of the Community in the early 1970's, culminating in the accession of the United Kingdom, the Republic of Ireland and Denmark in 1973, were a further spur towards the creation of a Community regional fund. It was recognised that enlargement would greatly add to the scale of regional problems. In the



enlarged Community of nine the UK and Ireland both suffered severe problems of regional decline and under-development. Ireland's difficulties were primarily agricultural in nature, whereas those of the UK were related to the restructuring of traditional labour intensive industries and the resulting decline of the regions dependent upon them.

These factors put regional policy more firmly on the Community agenda and the creation of a regional fund became a priority issue. At The Paris Summit of October 1972 the Community took a large step towards this goal. The summit instructed the Commission to prepare "without delay" a report on regional problems and declared that from then on the member states would attempt to co-ordinate their regional policies. Furthermore, the Governments invited the Commission to create a Regional Development Fund. This Fund was to be set up before the end of 1973 and should be financed from the Community's budget. However, the summit could not agree on important matters such as the size and distribution of the Fund. The UK, Ireland and Italy wanted a large Fund, whereas the other six member states, particularly West Germany, favoured a much smaller one.

## 2.5. THE DEVELOPMENT OF THE EUROPEAN REGIONAL DEVELOPMENT FUND.

### 2.5.1. The Creation of the ERDF.

In 1973, as requested by the Heads of Government at the 1972 summit, the Commission published a Report on the Regional Problems of the Enlarged Community (the so-called "Thomson Report") (Commission, 1973a). This document elucidated the large spatial variations in

socio-economic welfare throughout the Community and provided the basis for a subsequent set of Commission proposals (Commission, 1973b) which led eventually to the establishment of the ERDF in 1975 (Council Regulation (EEC) 724/75). These proposals addressed three key issues:

1. the volume of resources that would be allotted to the ERDF from the EC budget;
2. the member states and regions which would be eligible to receive ERDF assistance;
3. how the decisions would be made on which particular projects in which regions would actually receive grants.

The Commission argued that the Fund should be large enough to have a significant impact on regional imbalances. This was welcomed by the Italians and Irish who saw themselves as major beneficiaries. Others, notably the West Germans, were very reluctant to agree to a new policy which would increase their already large net contribution to the Community budget. The British occupied an intermediate and somewhat ambiguous position. At the start of the negotiations a pro-Community Conservative government was still in office and urgently in need of actions which would show a sceptical public and Parliament that concrete benefits were resulting from Community membership. The perception that Britain would gain from a Community regional fund led the UK to support Italy and Ireland in a coalition which provided the necessary political impetus for the 1973 initiative. However, the Conservative Government's ambitions were strictly limited; as one observer put it:

All that was being sought was an institutionalised subsidy from the Community for British expenditure in the regions. An integrated Community policy for regional development was not on the agenda (George, 1985, p146).



But even this limited objective proved difficult to achieve in the face of West German opposition and the general indifference of other wealthy member states.

When a Labour Government, unenthusiastic about the Community, came into office in March 1974, UK pressure for a regional fund subsided in favour of demands for a radical revision of British membership terms as a whole. This meant that British support for the Regional Fund was obscured in the face of more general issues such as the Community budget and institutional reform. Despite the lessening of UK support, Italy and Ireland maintained their enthusiasm for the Fund. They eventually went as far as threatening to boycott the 1974 summit of Heads of Government in Paris if the ERDF was not placed at the top of the agenda.

Consequently, one of the outcomes of this Summit was the agreement to set up the ERDF. The Fund was provided with resources totalling 1300 Million European Units of Account (EUA), about £540 Million, over three years (Council Regulation (EEC) 724/75). This relatively meagre sum was short of the Commission's original proposal of 3000 Million EUA and was eloquent illustration of the power of the national governments within the EC's political system and the reluctance of most member states to move beyond what amounted to little more than gestures towards a Community regional fund and the problems it was supposed to tackle.

The negotiations over how this modest "regional cake" should be divided up reveal the same points about the EC's political structure. Initially, the Commission did not propose any means of allocating a specific share of the Fund to particular member states. Instead, the proposals simply



set out criteria that would determine which regions would be eligible to receive assistance regardless of any national considerations. Such regions would be characterised by a combination of:

1. a preponderance of agriculture in the region's economy, resulting in low incomes and underemployment;
2. declining industries and high unemployment;
3. structural underemployment and a lack of basic infrastructure;
4. GDP per capita below the Community average.

These criteria were sufficiently broad to include parts of the more affluent states such as FR Germany, France, Denmark and the Netherlands. The Commission clearly took the view that eligibility criteria that excluded these richer states would not have been acceptable to the Council of Ministers, where the agreement of all member governments is so important (Talbot, 1977).

Although grant applications would originate in member states, the Commission expected to exert considerable influence over the distribution of the Fund's resources. An ERDF Committee, composed of representatives of member states, would make the final decisions on the award of grants by qualified majority voting, unhindered by the "Luxembourg Compromise", thereby reducing the chances that the Commission's project proposals would fail to gain acceptance. The absence of a pre-determined share of the Fund for particular countries would give the Commission considerable discretion to concentrate aid in the most needy regions. This discretion would come at the stage of the initial examination of submitted applications by DG XVI when it would be able to decide which projects from which regions it would send to the ERDF Committee for formal approval.

However, the Commission's optimism evaporated as negotiations proceeded. The wealthier member states, especially France, were unhappy about adopting a system which allowed the Commission so much discretion and did not guarantee them a certain share of Fund resources. In the event the Community leaders decided at the 1974 summit to divide up the Fund according to a system of national quotas loosely based on the per capita GDP's of the member states. These shares would be biased towards the poorer member states but would still guarantee the more affluent a share (Table 2.1). The stamp of national perceptions and interests on the whole exercise was underlined in the agreement that regions qualifying for ERDF assistance would be those defined by national governments in the context of their own domestic regional policies. The Commission's efforts to define eligible regions according to Community-wide criteria had been thwarted.

TABLE 2.1: THE NATIONAL QUOTAS AGREED AT THE 1974 PARIS SUMMIT.

MEMBER STATE	QUOTA % OF FUND
BELGIUM	1.5
DENMARK	1.3
FR GERMANY	6.4
FRANCE	15.0
IRELAND	6.0
ITALY	40.0
LUXEMBOURG	0.1
NETHERLANDS	1.7
UNITED KINGDOM	28.0
EC 9	100.0

Source: Council Regulation (EEC) 724/75

The potential of the Commission to exercise decisive influence on the allocation of grants was curtailed by the

national quota system. National governments would be able to submit the number of projects required to meet their quota, plus an allowance for a few projects which might be judged technically ineligible. This would mean that the decisions on which projects in which regions would receive aid would in effect be taken by the member governments. In other words, the geographical allocation of the ERDF would be controlled by the member states and the role of the Commission and the ERDF Committee would be relatively minor - simply sifting out a small number of ineligible projects.

The major goal of the original ERDF, and of EC regional policy in general, was to:

correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change and structural underemployment (Council Regulation (EEC) 724/75, Article 1).

The Fund would work towards this goal by providing assistance to national, local and other public authorities for projects concerned with, firstly, infrastructure and, secondly, industrial, craft and service sector activities. The value of the grants awarded would be 50% of project costs. However, the available instruments were clearly insufficient to enable the goals to be achieved. For example, the ERDF remained miniscule in comparison with the overall size of the Community budget and national regional policy expenditure. In 1977, the Fund accounted for just 4.9% of Community expenditure, 72% of which was spent on agriculture. Moreover, the £61 million of ERDF assistance allocated to the UK in 1977 contrasted with the £1200 million spent by the Department of Trade and Industry on regional aid in the 1976/77 financial year (Armstrong and



Taylor, 1987). Wallace (1977) argued that "the sums of money so far allocated are so minute that it will be difficult to prove effectiveness on economic rather than political criteria" and that the Fund was little more than an exercise in "pork barrel politics" (Wallace, 1977, p161). In other words, the Fund was essentially a creation based on political bargains and compromises rather than a genuine attempt by the Community to reduce disparities between rich and poor regions.

The creation of the ERDF at the 1974 Paris Summit was accompanied by the establishment of the Regional Policy Committee. This Committee would be composed of national government officials and a representative of the Commission. It would discuss a wide range of issues relating to regional policy, providing information and making recommendations to facilitate a further regional policy objective which was the co-ordination of Community and national regional policies. (Council Decision 75/185/EEC). The major instruments of co-ordination were intended to be the Regional Development Programmes (RDPs) (Commission, 1976). These documents were to be submitted to the Regional Policy Committee and the Commission every five years by the national governments and were supposed to set out the nature of regional problems within member states and the measures being pursued to tackle them. The RDPs were designed to give the Commission an overall view of regional disparities and provide a framework for the efficient use of ERDF assistance (Martins and Mawson, 1983).

A further goal of Community regional policy following the creation of the ERDF was that other Community activities

should be co-ordinated with regional policy (Armstrong, 1978). The main instruments for achieving this objective were Regional Impact Assessments (RIA) of other Community policies. These assessments were supposed to examine the regional implications of otherwise non-spatial Community policies and to allow some of these implications to be taken into account in policy formulation. As a result of this objective, DG XVI produced a series of reports on the regional impact of a number of sectoral policies, such as the Common Agricultural Policy and the Community's external trade policy (Commission, 1981b; Commission, 1984b).

#### 2.5.2. Subsequent reforms of the ERDF, 1978-1980.

When the initial three year allocation of resources came to an end in 1977 the size of the Fund was increased (Table 2.2 and Figure 2.2), although the high rates of inflation at the time made this growth more apparent than real. In addition, the Commission proposed that 15 percent of the Fund should be reserved for a new "non-quota" section which would help finance "specific Community measures", designed to tackle problems resulting from the adverse effects of Community policies in other fields (such as the free market in coal and steel products) and not restricted to nationally designated assisted areas (Commission, 1977a). Furthermore, the Commission proposed that non-quota measures would be drawn up on the initiative of the Commission in consultation with the member states. The proposals from the Commission on these specific Community measures would then be decided upon by the Council, on the basis of a qualified majority (Martins and Mawson, 1981). Clearly, the Commission was attempting to



# THE GROWTH OF ERDF RESOURCES 1975-1987

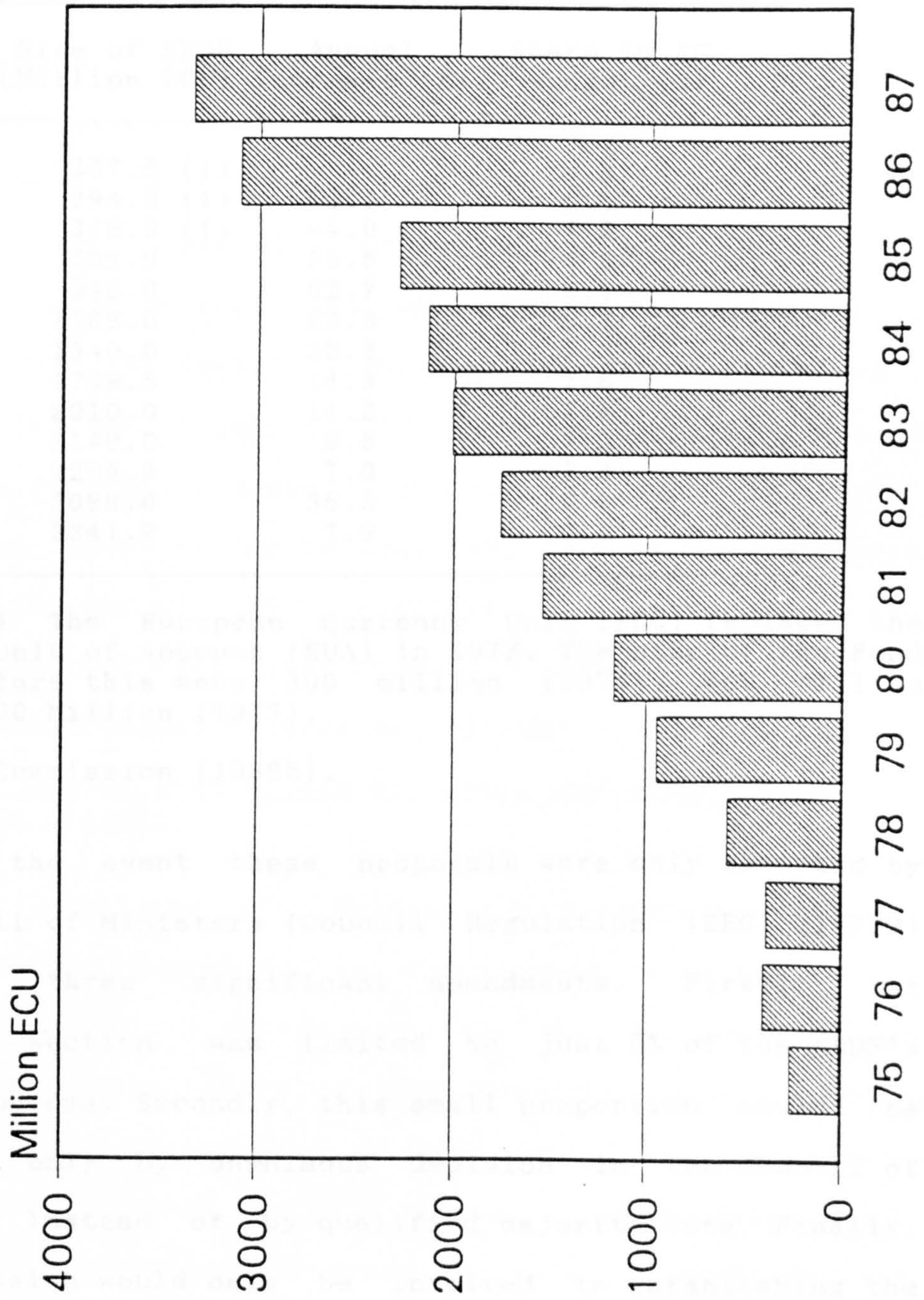


FIGURE 2.2. THE GROWTH OF ERDF RESOURCES, 1975-1987.



break the rigid national quota system and make some modest move towards the ERDF becoming an instrument of regional development with a more genuine Community character rather than a limited subsidiser of separate national policies.

TABLE 2.2: THE GROWTH OF ERDF RESOURCES: 1975-1987.

Year	Size of ERDF (Million ECU)	Annual increase (%)	Share in EC budget (%)
1975	257.6 (1)	-	4.8
1976	394.3 (1)	53.1	5.6
1977	378.5 (1)	-4.0	4.9
1978	581.0	53.5	4.6
1979	945.0	62.7	6.1
1980	1165.0	23.3	6.7
1981	1540.0	32.3	7.3
1982	1759.5	14.3	7.6
1983	2010.0	14.2	7.6
1984	2140.0	6.5	7.3
1985	2289.9	7.0	7.5
1986	3098.0	35.3	8.6
1987	3341.9	7.9	9.0

Notes. 1) The European Currency Unit (ECU) replaced the European Unit of Account (EUA) in 1978. The size of the Fund in EUA before this were: 300 million (1975), 500 Million (1976), 500 Million (1977).

Source: Commission (1988b).

In the event these proposals were only accepted by the Council of Ministers (Council Regulation (EEC) 214/79) following three significant amendments. Firstly, the non-quota section was limited to just 5% of the ERDF's total resources. Secondly, this small proportion could be allocated only by unanimous decision in the Council of Ministers instead of by qualified majority vote. Finally, the Commission would only be involved in establishing the broad framework for these specific Community measures; the initiation of actual projects to be funded would rest with member states who would forward applications to the Commission and the ERDF Committee. Once again this

demonstrated the power of individual member states to restrict the Commission's ambitions for a regional policy based more fully on Community-wide perspectives.

Nevertheless, 1979 also saw the establishment of a new aspect of Community regional policy; namely the concept of Integrated Operations (IOs). These were defined as packages of co-ordinated measures to be employed in areas of the Community with particularly serious socio-economic problems. In implementing these measures the Community would co-operate with national and local authorities by providing resources from its various financial instruments (ERDF, ESF, EIB, etc) in the framework of multi-annual programmes of investment. Two pilot schemes were soon launched in Belfast and Naples (Martins and Mawson, 1983). These IOs reflected the strengthening of the objective of co-ordinating the ERDF's activities with other Community policies in order to provide broader-based attacks on regional disparities.

#### 2.4.3. New member states, new proposals and a new Regulation, 1981-86.

The accession of Greece, a comparatively poor country, to the Community in 1981 invigorated the debate about regional development in the EC (Martins and Mawson, 1981; Wabe, Eversley and Despicht, 1982), leading the Commission to present a new set of ultimately unsuccessful proposals for ERDF reform in 1981 (Commission, 1981a). The Commission proposed two major changes in the means by which the ERDF was distributed.

The first of these was that the quota section of the Fund would be limited to areas suffering from "serious structural problems". These problems were quantified

according to a scale on which the Community average was 100. If the average of GDP per capita and long-term unemployment on this scale in a particular region was worse than 75 then it would qualify for ERDF assistance. The areas involved would have been the whole of Ireland (including Northern Ireland), Greece (except Athens and Thessalonika), the Italian Mezzogiorno, Greenland, French Overseas Departments, Wales, Scotland and the Assisted areas of Northern England. In other words, national quotas would be created that excluded FR Germany, the Netherlands, Belgium, Luxembourg, mainland France and Denmark (Table 2.3).

TABLE 2.3: THE 1981 PROPOSALS FOR THE QUOTA SECTION OF THE ERDF.

MEMBER STATE	EXISTING QUOTA(1)	PROPOSED QUOTA %
BELGIUM	1.11	-
DENMARK	1.06	1.30 (2)
FR GERMANY	4.65	-
FRANCE	13.64	2.47 (3)
GREECE	13.00	15.97 (4)
IRELAND	5.94	7.31
ITALY	35.49	43.67 (5)
LUXEMBOURG	0.07	-
NETHERLANDS	1.24	-
UNITED KINGDOM	23.80	29.28 (6)
EC TOTAL	100.0	100.0

Notes. 1. Quota established in 1981 following the accession of Greece.

2. Greenland only.

3. Overseas Departments only.

4. Except Athens and Thessalonika.

5. Mezzogiorno only.

6. Northern Ireland, Wales, Scotland and assisted areas of Northern England only.

Source: Commission (1981a).

The second proposal from the Commission suggested an extension of the non-quota section to account for 20% of the total. This section of the ERDF would continue to tackle



problems resulting from the adverse effects of Community policies in other fields, but would now be allocated by majority vote in the ERDF Committee rather than by unanimity in the Council. This procedural change was designed to weaken the ability of national governments to insist on "their share" and to facilitate the Commission's efforts to focus assistance on areas most in need according to "Community" criteria free of crude national bargaining.

The Commission's desire to loosen the grip of national governments on the ERDF was also apparent in its proposals to alter the way in which the quota section of the Fund supported regional development. The existing system of financing individual projects was to be progressively phased out and replaced with coherently conceived programmes of related projects (Martins and Mawson, 1982). The Commission suggested that these programmes would be drawn up by national governments in close co-operation with both local authorities and the Commission as part of an effort to make the ERDF a distinct Community policy rather than a source of subsidy for separate member state policies.

The Commission hoped that this would not only strengthen the impact and cost-effectiveness of ERDF spending, but also secure the genuine "additionality" of that expenditure. Previously, there had been considerable doubts about whether ERDF grants were truly "additional" sources of regional assistance. Many believed that governments were using the grants to reimburse already committed national expenditure (Wilson, 1980; Meny, 1982; Preston, 1983; Wise and Croxford, 1988). The Commission's

participation in these new co-ordinated Programmes was intended to provide a means by which it could monitor and scrutinise this issue more closely. (Chapters 3 and 4 will examine the question of "additionality" in more detail).

Negotiations over these proposals dragged on in the Council for two years, blocked by conflicts about the size and distribution of the Fund. The richer states were unhappy at the prospect of getting little or nothing, while one of the then less affluent states, Britain, was more concerned with winning some sort of rebate from the overall Community budget. In such a climate of haggling over national contributions and receipts the more "European" aspirations of the Commission could not thrive. Hence, the 1981 proposals were withdrawn by the Commission so that new, possibly more acceptable proposals could be formulated.

In 1983, revised proposals (Commission, 1983b) were presented to the Council. These sought to replace the quota and non-quota sections with a series of "Quantitative Guidelines" (later known as "indicative ranges") which set upper and lower limits on the amount of money each member state might receive from the Fund. This system represented a compromise between the "Community" objective of concentrating aid on the neediest areas and the "national" desire to be guaranteed a certain proportion of the Fund. Each country would be assured of its minimum quota provided it submitted sufficient eligible projects. These lower limits would have totalled approximately 83% of the total Fund, leaving about 17% that would be linked to the submission of applications in the form of programmes. Clearly the Commission hoped to use this system to direct a

greater proportion of resources to the most deprived areas. It also proposed that within four years at least 40% of the ERDF would be reserved for programmes (Martins, Mawson and Gibney, 1985).

The idea of indicative ranges was combined with a proposal to increase the rate of ERDF assistance from 30% to 50% cent of project costs. This change meant that not only would ERDF assistance be a more important element in the financing of individual projects, but that competition for available finance would be increased since a smaller proportion of applications could now be funded.

On the basis of these proposals the Council of Ministers adopted a new ERDF regulation which came into operation in January 1985 (Council Regulation (EEC) 1787/84). There were, however, a number of changes agreed in the Council which further diluted their Community character and maintained the national mould determining the broad pattern of ERDF allocations. Firstly, in almost all cases the lower limit was higher in the eventual Council Regulation than in the original Commission proposals. The result was that the minimum allocations now totalled about 89% not 83%. Therefore, the Commission now had just an 11% margin to distribute as it wished via the ERDF Committee (Table 2.4). Secondly, the Council decided that programmes would account for 20% of the total Fund within three years (rather than the Commission's aim of 40%). Finally, the eventual Regulation did not require member states to submit applications in the form of programmes in order to receive allocations from the Fund above their minimum level. The indicative ranges agreed by the Council were to apply



initially to the three-year period from 1985 to 1987.

TABLE 2.4: THE SYSTEM OF INDICATIVE RANGES ADOPTED BY THE COUNCIL AND AMENDED FOLLOWING THE ACCESSION OF SPAIN AND PORTUGAL.

MEMBER STATE	MAXIMUM LIMIT%	MINIMUM LIMIT%
BELGIUM	0.61	0.82
DENMARK	0.34	0.46
FR GERMANY	2.55	3.40
FRANCE	7.48	9.96
GREECE	8.36	10.64
IRELAND	3.82	4.61
ITALY	21.62	28.79
LUXEMBOURG	0.04	0.06
NETHERLANDS	0.68	0.91
UNITED KINGDOM	14.50	19.31
SPAIN (1)	17.97	23.93
PORTUGAL (1)	10.66	14.20
EC TOTAL	88.63	117.09

Note. 1) The limits for Spain and Portugal apply only to the 1986-1987 period. In 1985, slightly higher ranges were applied to the other ten member states.

Source: Council Regulation (EEC) 3641/85

The new Regulation introduced two types of Programme: "National Programmes of Community Interest" (NPCIs) which are formulated by authorities within member states for a limited geographical area; and "Community Programmes" which are initiated by the Commission and, as a rule, cover parts of the territory of more than one member state. This thesis does not examine in any detail the implementation of either Community Programmes or the old non-quota section. Neither of these is relevant to the case-study of South West England. Moreover, although funds were allocated in 1987 to the first two Community Programmes (Commission, 1988c), no assistance has yet been spent in the regions concerned; namely, the least-developed areas of the Community (including Northern Ireland).

Another aspect of the Programme approach, which is examined in more detail in this study, was outlined in Article 15 of the new Regulation. This offered financial support for schemes attempting to tap the potential within each region for internally generated development. This new aspect of the ERDF's activities reflects the wider change of direction of regional policies towards economic development using indigenous resources. Grants allocated under Article 15 of the Regulation would be directed in particular to schemes which promote the small-firm sector and tourism.

The revised Regulation also placed more emphasis on the overall regional policy objective of co-ordinating ERDF spending with national regional policies and with other European Community financial instruments, such as the European Social Fund and the European Investment Bank. In particular, the Regulation attached priority to ERDF spending forming part of "Integrated Development Operations" (IDOs) involving the co-ordinated activities of more than one EC Fund (Commission, 1986e). A further aspect of the co-ordination of Community instruments agreed in 1985 were the "Integrated Mediterranean Programmes" (IMPs) (Council Regulation (EEC) 2088/85). The object of these programmes was to "improve the socio-economic structures of the southern regions of the Community ... in order to facilitate their adjustment to the new situation created by enlargement" (Commission, 1986f). These multi-annual schemes were restricted to certain designated areas in France, Italy, Greece and Spain and Portugal (following the 1986 enlargement). The IMPs also involve the co-ordinated

use of a variety of EC funds and the EIB.

The 1984 reform arguably marked at least a modest move towards the ERDF becoming an agent of regional development more influenced by Community perspectives (Wise and Croxford, 1988). The system of minimum and maximum allocations to countries enlarged the Commission's ability to influence, through the ERDF Committee, both the geographical distribution of ERDF resources and the ways in which they are spent. In order to win more than their guaranteed minimum share of resources member states are obliged to submit a larger number of grant applications, many of which have no certainty of success on eligibility grounds alone. The Commission should thus enjoy - within the controlling framework of the ERDF Committee - greater discretionary power to select from among an excess number of applications in a way which directs the uncommitted proportion of the Fund (about 11.4%) towards the most needy areas. Chapter Three will examine whether the implementation of the new Regulation has enabled the Commission to exercise this discretion in the way it intended.

The new Regulation also went some way towards clarifying the overall objective of the ERDF. Its purpose was now to:

contribute to the correction of the principal regional imbalances within the Community through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions (Preamble to Council Regulation (EEC) 1787/84).

The Regulation recognised that Community regional policy did not possess the resources to do much more than



supplement the regional development efforts of member states. For example, the size of the ERDF, although significantly increased, remained small in relation to overall Community spending and equivalent action by member states. In 1986 the Fund accounted for just 8.6% of the Community budget. Moreover, the Commission estimated that in 1982 the Fund amounted to less than 5% of total national assistance to private firms and about 3% or 4% of total expenditure on economic infrastructure in areas eligible under national regional aid schemes (Commission, 1987b). The main emphasis of the ERDF since the new Regulation came into operation is on improving the impact of the Fund by providing assistance to multi-annual programmes of investment. However, not all observers agree that the Community should be so closely involved in devising programmes for limited areas within member states. Armstrong (1978 and 1985) argued that the Community's powers in the field of regional policy should be restricted to decisions relating to the overall size of the ERDF and its broad geographical distribution. He suggested that detailed decisions on the types of schemes which the Community should fund are best left to local and national decision-makers who are more familiar with local needs and conditions.

## 2.6. THE DEVELOPMENT OF THE EUROPEAN SOCIAL FUND.

Having examined the development of the ERDF and the overall objectives of Community regional policy, we can now examine the evolution of the European Social Fund (ESF) since its creation in 1958. At this juncture the emphasis is on the relationships between the ESF, which is primarily a

sectoral policy, and EC regional policy.

#### 2.6.1. The Original ESF, 1958-1970.

The ESF was created in 1957 by the Treaty of Rome, since when its principal aim has been:

to improve the employment opportunities for workers in the Common Market and to contribute thereby to raising the standard of living ... (by) rendering the employment of workers easier and ... increasing their geographical and occupational mobility (Treaty of Rome, Article 123).

It was decided initially that the Fund would be administered by the European Commission, with assistance from an advisory committee composed of representatives of the national governments, employers and trade unions. This arrangement is still in operation at the present time. The system was based upon applications from the member states which meant that governments were immediately in a position to influence the number and type of applications submitted (Collins, 1983). Those eligible to submit applications included not only the national government itself but any organisation governed by public law. The Fund would provide 50% of the cost of eligible schemes.

During the 1960's the ESF played only a minor role in helping to retrain and resettle workers from the declining sectors and regions of the European economy. The budget available was extremely limited. By 1972, for example, the ESF accounted for just 2.9% of the EC budget (Commission, 1987b). Furthermore, there were no mechanisms for transferring resources from richer to poorer regions. Indeed, during the 1960's West Germany was the largest recipient of ESF aid (Table 2.5), primarily because of its

training measures for large numbers of migrant "Gastarbeiter" (Collins, 1983). Since the beginning of the 1970's the Fund has undergone three major reforms; in 1971, 1977 and 1983.

TABLE 2.5: DISTRIBUTION OF THE EUROPEAN SOCIAL FUND, 1960-1973.

Member state	Grants in Million EUA	% receipts
Belgium	10.9	3.3
West Germany	138.0	42.2
France	46.5	14.2
Italy	117.5	35.9
Luxembourg	0.02	0.05
Netherlands	13.4	4.1
EC 6	326.32	100.0

Source: Collins, 1983.

2.6.2. The ESF reforms, 1971 and 1977.

The 1971 reform (Council Regulation (EEC) 2397/71) represented a fundamental change in the operation of the ESF. It was divided into two sections with separate budgets. One half of the Fund (Article 4) was intended to help workers threatened with unemployment as a direct result of continuing integration in the Community. The schemes which could be funded would be operated by national public authorities in various "areas of intervention" designated by the Council of Ministers, acting on a proposal from the Commission. The categories of eligible persons included:

1. workers moving out of agriculture;
2. textile workers;
3. Community migrants;
4. non-Community migrants;
5. young people under 25,
6. women over 25 who required training or preparation for work;
7. handicapped workers.



These objectives were primarily sectoral but had a number of associated regional implications. For example, aid for retraining textile workers threatened with unemployment was logically directed to those areas where the declining textile industry was concentrated. Furthermore, aid to the Under 25s also had regional implications because of the above average unemployment rates for this age group in relatively less affluent Southern Italy.

The second half of the ESF (Article 5) was less clearly defined. The Fund would provide grants to training schemes helping backward or declining regions or industries affected by technical progress. Of this section, the largest proportion (about 60%) went to Italy and, following their accession to the Community in 1973, the United Kingdom and Ireland (Shanks, 1977). In the case of both Articles 4 and 5, the ESF contribution would normally be 50% of the cost of the scheme.

In the period between the reforms of 1971 and those of 1977 the environment within which ESF intervention was taking place changed significantly in a number of ways. In the first place, the unemployment situation in the Community altered substantially. In 1970 approximately 2.12 million people were unemployed in the original nine member states. By 1977 the numbers out of work had risen to about 5.68 million (Collins, 1983). Moreover, the worsening of the unemployment situation had its greatest impact in regions dependent on traditional and declining industries.

A second factor affecting the development of the ESF in the 1970's was the enlargement of the Community in 1973

to include the United Kingdom, Ireland and Denmark. Furthermore, the Community's increased commitment to helping problem regions by means of the ERDF helped to focus attention on the potential role of the ESF as a further instrument of regional policy.

The potential benefit of the ESF to the UK was not a major factor in the British accession negotiations. However, the severe problems of industrial decline being experienced in the UK meant that Britain was potentially a major influence on the development of the Fund. Following enlargement, British interest in the ESF (and with the ERDF) was obscured in the face of broader questions of the terms of British membership following the election of a Labour Government in 1974.

The debate leading up to the 1977 reform echoed that which surrounded the development of the Regional Fund. Some member governments were concerned that the Commission should not be allowed too much discretion to choose between applications submitted by the member states. It was believed at the time that this could be achieved by establishing national quotas for the ESF on the lines of those controlling the allocation of the ERDF. Michael Shanks a former Director-General of Social Affairs at the European Commission, argued that "this would reduce the bureaucracy in Brussels concerned with administering the ESF but would destroy any pretensions which the Fund may have to be concerned with the quality of training schemes" (Shanks, 1977, p25). Shanks was concerned that under a quota system member countries would simply submit schemes up to the level of their pre-determined share, allowing the Commission

little discretion to choose between applications on the basis of the quality or innovative nature of the scheme. The Commission, meanwhile, was beginning to regard the work of the ESF as an important parallel to the activities of the ERDF (Collins, 1983). The Regional Fund would enlarge employment opportunities in the regions and the ESF would help provide the labour force with the skills required to take advantage of these new jobs.

The 1977 reform of the ESF expanded the regional aspect of ESF activities (Council Decision 77/861/EEC). The Fund now allocated 50% of its resources to explicitly regional projects. Moreover, 60% of this was directed to the areas where the most serious long-term problems of unemployment were to be found, as well as to young people under the age of 25. However, any pressure to introduce a quota system to the geographical allocation of the ESF was resisted by the Commission and the Fund remained free of formal national shares.

One innovation of the 1977 reforms was the the introduction of published Commission "Guidelines" setting out the types of schemes which the Commission wished to Fund. Before 1977 guidance on the types of scheme the Fund would support was limited to the formal regulations controlling the activities of the ESF (Council Regulation (EEC) 2397/71), which listed a range of aids and the circumstances under which they could be used. However, it became apparent that this list contained categories of assistance which were both difficult to define and indistinguishable from other sorts of allowances and subsidies provided by member states which were not intended



to be eligible for ESF assistance. Moreover, after the 1971 reform the number of applications soon outstripped the finance available. Consequently, it became apparent that more exclusive selection criteria were required to help the Commission choose between competing applications. In 1973 the Commission produced a statement of its own priorities for the ESF, setting out what it would look for in the selection of schemes to be funded (Collins, 1983). Unfortunately, these priorities remained largely internal to the Commission, published only retrospectively in the Annual Reports of the ESF. The enlargement of the Community, the growth in the number of applications and rises in unemployment increased the pressure for clearer guidelines. As a result, the 1977 reform required that the Commission Guidelines should be published in the Official Journal and should set out the types of schemes and particular regions to which the Commission would give priority. The Guidelines now served two purposes. Firstly, they provided useful information to prospective applicants on the types of schemes favoured by the Commission. Secondly, the Guidelines relieved the Commission to some extent from the task of examining a vast number of competing applications. In practice, only schemes covered by the Guidelines would stand any chance of being funded.

### 2.6.3. The ESF since 1983.

The third major reform of the ESF took place in 1983 (Council Decision 83/516/EEC). Again the economic environment was one of rapidly rising unemployment throughout the Community with a particularly severe impact in the declining industrial areas. In fact, in 1983, the

numbers of people unemployed in the nine original member states had risen to 11.96 million (12.0 million in the Community of Ten (Eurostat, 1985)). This reform was the first in a running 5-year programme of Fund reviews instituted by the Council of Ministers in 1982. The second has been taking place during 1988 (see section 2.7 below).

The 1983 reforms greatly simplified the operation of the Fund. It would no longer assist projects in a variety of "areas of intervention". Instead, the aims of the ESF were narrowed. From 1983 onwards, 75% of the Fund would be reserved for schemes aimed at people aged under 25. The remainder would assist the long-term unemployed, women wishing to return to work, migrant workers, handicapped persons and people employed in small and medium-sized enterprises. At the same time, the geographical concentration of the ESF in the Community's less-favoured areas was to be increased; 40% of its resources would now be directed to all of Greece and Ireland, the Italian Mezzogiorno, Northern Ireland and the French Overseas Departments. Following the accession of the two Iberian countries to the Community in 1986, this list was extended to include much of Spain and all of Portugal. At the same time the amount of money guaranteed to the least-favoured areas was increased to 44.5% (Council Decision 85/568/EEC). Furthermore, the resources available to the ESF now broadly matched the size of the ERDF. In 1985, for example, the Social Fund accounted for 6.6% of the Community budget, compared with the ERDF's share of 7.5% (Commission, 1986g).

Chapters Six, Seven and Eight of this thesis, which

examine the implementation of the ESF, deal with the activities of the Fund since 1983. This coincides not only with the most recent reform of the ESF but also with the first year for which detailed data became available on the regional distribution of assistance in the UK. Prior to this date neither the Commission nor the Department of Employment kept records of the ESF's regional allocation. Furthermore, it was at this time that the UK Government began submitting applications to the Fund from local authorities and other regionally based organisations. Previously, the Fund had been devoted almost exclusively to nationally based schemes, particularly those run by the Manpower Services Commission and other Government organisations.

#### 2.7. EUROPEAN COMMUNITY REGIONAL POLICY, THE SINGLE EUROPEAN ACT AND CURRENT REFORMS.

In early 1986 the member states of the European Community agreed to a package of institutional reforms brought together in the Single European Act (SEA) which was designed to make "concrete progress towards European unity" (Commission, 1986a, SEA, Preamble) and came into operation in July 1987. Apart from changes to the Community's decision-making procedures, and an extension of qualified majority voting to a wider range of policies (see Chapter 1), the SEA also inserted into the Treaty of Rome a more explicit policy towards the regions. However, it did not actually use the term "regional policy". Instead, the aim of "reducing disparities between the various regions and the backwardness of the least-favoured regions" is part of the wider objective of "promoting overall harmonious development" (Commission, 1986a, SEA, Article 130A). Under



the title "Economic and social cohesion", the principal mechanism for achieving this regional objective is the ERDF, the aim of which is to:

help redress the principal regional imbalances in the Community through participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions (Commission, 1986a, SEA, Article 130D).

However, the SEA also stated that all three of the Community's Structural Funds (ERDF, ESF and EAGGF Guidance section) and the other financial instruments (EIB, ECSC grants and loans) must also contribute to the regional objectives. The Commission was required by the SEA to submit a proposal to the Council putting forward amendments to the three Structural Funds "necessary to clarify and rationalise their tasks" in this respect (Commission, 1986a, SEA, Article 130D). This "Framework Proposal" was submitted to the Council in August 1987 (Commission, 1987c) and agreement on its main ingredients was reached at the February 1988 European Council meeting in Brussels (European Information Service, No 88). This agreement followed a series of protracted negotiations which had lasted for much of 1987 and concerned a whole package of reforms proposed by the Commission. These negotiations also concerned Commission proposals for reducing agricultural spending and improving budgetary discipline in general. In its proposals for the Structural Funds, the Commission, supported by the poorer member states such as Spain, Greece, Portugal and Ireland, suggested that the total available resources should be doubled by 1992. At first, the British Government was vehemently opposed to such an increase. However, eventually

a compromise solution was eventually reached and the European Council created legal controls on farm spending and doubled the value of the three Structural Funds by 1993 (not 1992 as the Commission had originally proposed).

Subsequently, the Commission produced a revised Framework Proposal taking the February 1988 agreement into account (Commission, 1988d) and this was formally agreed by the Council of Ministers in June 1988 (Council Regulation (EEC) 2052/88). The Structural Funds will now focus on the following five objectives:

1. promoting the development and structural adjustment of the less-developed regions (Objective 1);
2. converting the regions, employment areas and urban communities seriously affected by industrial decline and facilitating restructuring of declining industries (Objective 2);
3. combating long-term unemployment (Objective 3);
4. facilitating the occupational integration of young people (Objective 4);
5. with a view to reform of the Common Agricultural Policy, a) speeding up the adjustment of agricultural structures and b) promoting the development of rural areas (Objective 5 a) and b) (Council Regulation (EEC) 2052/88).

The Regulation goes on to elaborate how each of the three Funds will contribute to these objectives. These ideas are illustrated by Table 2.6 which shows that a large proportion of the ERDF (approximately 80%) will be directed towards the Community's least-developed areas; namely all of Portugal, Ireland and Greece, Northern Ireland, parts of Spain, the Italian Mezzogiorno and the French Overseas Departments. A further 18% will be spent in designated "declining industrial areas" and the remaining 2% will be directed to "rural areas" designated under Objective 5 b) (European Information Service, No 92).

The Framework Regulation will be followed in

TABLE 2.6: THE ROLE OF THE THREE STRUCTURAL FUNDS IN THE ACHIEVEMENT OF THE FIVE OBJECTIVES.

Objective	primary instruments	secondary instruments	priority type of investment	geographical shares
1. Under-developed regions	ERDF	ESF EAGGF (Guidance section)	Programmes & major projects, Integrated Approach.	approx. 80% of ERDF 75% of this by quota
2. Declining regions	ERDF	ESF	As above.	18% of ERDF no quotas
3. Long-term unemployment	ESF	-	Programmes	not specified
4. Young people	ESF	-	Programmes	not specified
5.a) Agricult. structures and rural devt.	a) EAGGF	ESF	Programmes & part-financing of national schemes.	not specified
b) rural devt.	b) ERDF	ESF		b) 2% of ERDF

Source: Council Regulation (EEC) 2052/88.



September 1988 by a further "horizontal Regulation" embracing all three Structural Funds, covering Committee procedures and other financial and administrative matters common to all three Funds. Agreement on this Proposal is expected in the Autumn of 1988. In parallel, proposals for "vertical Regulations" will emerge from the Commission, detailing the operation of each individual Fund. The current time-table envisages that the new ERDF Regulation will come into force in 1989 and the reformed ESF in January 1990 (European Information Service, No. 90). The implications of these on-going reforms will be discussed in more detail in the final Chapter in the light of the findings of this research (Chapter 9).

#### 2.7. CONCLUSIONS.

This Chapter has examined the development and overall goals of European Community regional policy and introduced the reader to the two funds with which this thesis is concerned; namely the ERDF and the ESF.

The development of the Community's regional policy was essentially a "top-down" process. The initiative for policy creation and development arose primarily at Community and national levels, out of concern for assisting the least-developed and declining areas of the Common Market as well as a desire in certain member states such as the UK, to win what they considered to be a more equitable share of the Community budget. Pressure for the establishment of Community regional assistance from organisations such as local authorities likely to benefit from aid of this kind played only a minor role. Since the ERDF was created in 1975

this process has been characterised by the dominance of national political concerns over the "Community" ideals held by the Commission.

The reasons why member states in the Council of Ministers have been reluctant to allow the Commission any substantial degree of control over the allocation of ERDF grants are not hard to find. The Ministers in the Council are representatives of national governments which are accountable to national rather than Community-wide electorates. Therefore their actions are largely determined by national rather than European concerns. In the case of the ERDF this has meant that, with the assistance of the "Luxembourg Compromise" and unanimous voting, the member states have to-date maintained considerable control over many aspects of the Fund, despite the efforts of the Commission to increase its own influence over where and on what the Fund is spent. Nevertheless, this process has produced an ERDF which is not completely free of a "Community" content. The national quota system has transferred a limited amount of funds to the poorer countries even though the more affluent states still retain shares. Furthermore, the Council has also introduced other elements of the Fund which reduce national control and increase that of the Commission. These include: the non-quota section of the ERDF (1979-1984); the system of indicative ranges (1985-present); the programme approach; and the integrated approach.

Moreover, the on-going reforms of the Structural Funds following the adoption of the Single European Act seem likely to increase still further the Community nature

of regional policy by concentrating more assistance in the poorest areas and increasing the emphasis on programme and integrated approaches.

The ESF, on the other hand, has undergone a different development process from the ERDF. The Fund has rarely been the subject of the intense political debate that has characterised the emergence of the ERDF; albeit the negotiations of 1987 and 1988 concerning Structural-Fund reform have now given the ESF a higher profile. The development of the ESF has been a process of concentrating resources on particular groups such as young people under 25 as well as expanding the Fund's role as an instrument of regional policy. Debate surrounding the ESF has rarely centred on the relative merits of national government or Commission control over the decision-making process.

The overall goals of EC regional policy have been somewhat vague. The aim of correcting regional imbalances is of limited practical use since it is not clear which particular disparities policy is aiming to reduce (e.g. unemployment, GDP) or by how much. This goal does not provide a yardstick against which to measure the effectiveness of EC regional policy. However, as we have seen, this lack of clarity is not surprising given the way in which the ERDF in particular has developed. The range of national and Community interests which the Fund has had to accommodate mean that it is very difficult to create more specific objectives which could secure unanimous agreement in the Council of Ministers. Nevertheless, the current reforms appear to be producing objectives which are much more specific than hitherto. Chapter Nine examines this



issue in more detail.

There are clear parallels between the development of Community regional policy and the evolutionary model of the policy implementation process put forward by Hyder (1984). As explained earlier this model concerned the re-evaluation of policy following a period of implementation and the subsequent emergence of an appropriately reformed policy. Hyder suggested that policies are re-evaluated in response to either the implementation process itself or to changes taking place in the environment within which policy is enacted.

The history of the ERDF in particular mirrors this process. The original ERDF Regulation was put into practice until 1977 at which time the Commission began to re-evaluate the way the Fund was implemented. As a result the Commission proposed the introduction of a non-quota section because of its concern that national domination of the operation of the ERDF was preventing the Fund from making any meaningful contribution to regional development. Further periods of implementation and evaluation followed until the Fund was reformed more radically in 1984. The negotiations following the adoption of the Single European Act are the latest stage in this policy/implementation/re-evaluation process.

Similar re-statements of policy can be seen in the case of the ESF. In this case the periods of policy evaluation are as much a result of changes in the employment environment within which the Fund was operating as a consequence of the implementation process itself. For example, the 1971, 1977 and 1983 reforms of the ESF followed Commission proposals for fund reforms based on the rapid

increases in unemployment in the Community and the particular concentration of unemployment in the declining industrial and structurally under-developed areas.

## CHAPTER 3. THE OPERATIONAL OBJECTIVES OF THE ERDF AND THE ROLE OF THE EUROPEAN COMMISSION IN IMPLEMENTATION.

### 3.1. INTRODUCTION.

The remainder of the thesis examines in detail how the ERDF and ESF are implemented in the United Kingdom and whether the implementation process facilitates or hinders the achievement of the Funds' "operational" objectives. Chapter Two showed that the development of EC regional policy was largely a "top-down" process. This Chapter continues this top-down theme by outlining the objectives of the ERDF and assessing the ability of one policy-making institution (the European Commission), which also has the task of managing Community policies, to control the implementation process and to ensure that these objectives are fulfilled. Subsequent Chapters examine the role of the UK national government in implementation and the importance of "bottom-up" local initiatives in putting policy into effect.

### 3.2. THE OPERATIONAL OBJECTIVES OF THE ERDF.

Some of the ERDF's operational objectives are set out in the ERDF Regulation itself, while others represent the "sharpening-up" of objectives by the European Commission in an attempt to improve the Fund's effectiveness. However, these Commission aims are not necessarily shared by the national governments.

A number of objectives can be identified, some of which have only been in operation since the introduction of



the current Regulation in January 1985. This study is concerned with the following primary objectives:

1. the "additionality" of ERDF assistance;
2. the geographical concentration of aid in the neediest areas;
3. the programme approach;
4. the encouragement of the potential within regions for internally generated development.

### 3.2.1. The objective of "additionality".

One aim of the ERDF is that its regional development resources should add to and supplement those provided by member states. The objective of "additionality", as it is known, was enshrined in the 1975 ERDF Regulation which states that "the Fund's assistance should not lead member states to reduce their own regional development efforts but should complement these efforts" (Preamble, Council Regulation (EEC) 724/75). This principle has been variously defined and interpreted but in general terms, and as far as it concerns the ERDF, it is the requirement that Community resources should lead to an increase in the overall level of spending on regional policy and regional infrastructure carried out within the member states. It seeks, according to Preston (1983), to make:

an obvious distinction between funds from Brussels and member states so that arguments about the relative efficacy of national and Community policy measures can be clearly and separately articulated (Preston 1983, p20).

Additionality is possible at two levels - "global" or "individual". The former means that ERDF aid is added to the overall volume of regional development expenditure in a member state. The latter would lead to ERDF aid supplementing national assistance given to an individual project. The Regulation allows member states to choose which

of the two forms they will pursue and all have opted for global additionality (Comfort, 1987). This means that, in the case of industrial, craft and service sector projects, the British Government, for example, can (in theory at least) use the ERDF to increase the overall size of its regional aid budget. As a result, ERDF grants are paid to the UK Treasury rather than to the actual investor concerned. As far as infrastructure projects are concerned, grants are initially paid to central government and then forwarded in full to the local authority or other public organisation responsible for the project.

The Commission has reiterated the importance of additionality on a number of occasions. The 1986 Annual Report of the ERDF, for example, pointed out that "the Commission attaches great importance to ERDF grants being additional to national financial assistance and makes every effort to demonstrate that ERDF money does indeed top-up national funding" (Commission, 1988b, P6). Unfortunately, evidence for the existence of additionality is, in the UK in particular, but also in other countries, somewhat equivocal. Chapter Four examines the UK experience in more detail and shows that the Commission can exert very little "top-down" control over this aspect of the implementation process.

### 3.2.2 The geographical concentration of spending in the most needy areas

Unlike the aim of additionality, the objective of concentrating spending on the neediest areas has never been explicitly referred to in the Regulations controlling the ERDF. However, the Regulations do imply that assistance should be concentrated on both the poorest countries and the most needy regions. The 1975 Regulation stated that:



the principle should be adopted that the Fund's assistance should be allocated according to the relative severity of regional imbalances (Council Regulation (EEC) 724/75, Preamble).

There was an implication in this statement that ERDF assistance was to be directed to those areas which suffer from the most severe inequalities. Moreover, the system of national quotas does ensure that the largest proportion of aid is directed to the poorer member states, albeit the richer countries also receive shares.

The Commission, in sharpening-up the Fund's objectives, has often referred to the spatial concentration of spending as an explicit aim. Following the publication of the First Periodic Report on the social and economic situation in the regions (Commission, 1980) the Commission suggested that, given the limited size of the ERDF, intervention should be concentrated more heavily on the regions suffering from serious problems of either structural under-development or industrial decline. Since then, the Commission has often re-iterated this objective (Commission, 1981c; 1983a; 1986f). For example, the 1985 ERDF Annual Report stated that:

one of the conditions for the effectiveness of ERDF assistance is that it must be concentrated on well-defined targets. Geographical concentration of Fund assistance on certain regions with the most acute problems ... is one of the Fund's explicit aims. It allows grants from the Fund to achieve a critical mass and to have a significant impact on the economic development of the regions (Commission, 1986f, p16).

The Commission clearly regards geographical concentration as an important aim of the ERDF and is supported in this respect by the European Parliament's Committee on Regional Policy and regional Planning, which



stressed the importance of "a concentration of ERDF funds in the weakest regions in each member state" (European Parliament, 1985a, p3). However, it is equally apparent that not all the member states share the Commission's view. The Council of Ministers has ensured in the past that all countries, even the most affluent, have received fixed quotas of the Fund. However, the indicative range system introduced by the most recent reform of the ERDF seems to have given the Commission increased scope to direct more resources to the poorest states and regions (see section 3.3 below).

### 3.2.3. The aim of a programme approach.

The most recent reform of the ERDF in 1984 formalised a new objective. There would now be an emphasis on a programme approach to the provision of ERDF assistance. As was shown in Chapter Two, the 1984 ERDF Regulation created two types of programmes; namely, Community Programmes and National Programmes of Community Interest (NPCI).

The switch from individual projects to coordinated programmes was designed, firstly, to strengthen the impact and cost-effectiveness of ERDF assistance by creating genuine Community schemes which would have a real influence on regional development activities, rather than simply subsidising what was taking place in any case (Commission, 1986b). Secondly, the programme approach was intended, from the point of view of the Commission, to help secure the genuine additionality of Community expenditure in that the ERDF would have a greater impact on the local planning process and on the nature of projects which would take

place. The ERDF Regulation indicated that 20% of available assistance should be committed to programmes by the end of 1987.

#### 3.2.4. The objective of encouraging "internally generated development".

A further new objective was contained in Article 15 of the 1984 ERDF Regulation. The Fund would now attempt to encourage regions to make use of the potential for economic development based on indigenous resources. It should be added that the Regulation makes no attempt to quantify the proportion of the ERDF which should be allocated to these kinds of schemes.

Article 15 is primarily aimed at strengthening the small-business sector particularly in fields such as tourism, a sector in which South West England in particular may hope to benefit. The kinds of projects which Article 15 is intended to fund include aid schemes for small businesses and small-firm advisory services.

#### 3.3. THE ROLE OF THE EUROPEAN COMMISSION.

Having outlined the main "operational" objectives of the ERDF, we can now examine the role of the European Commission in the implementation process. Apart from being an important actor in the policy-formulation process, the Commission also has a major role in implementing Community policies. The discussion focuses on the means by which the Commission can control the operation of the ERDF in order to achieve the Fund's objectives.

### 3.3.1. Organisational structure of DG XVI.

The Directorate General for Regional Policy (DG XVI) is the Commission department with primary responsibility for the ERDF and it is divided into three individual Directorates. Each Directorate contains a number of Divisions. Figure 3.1 illustrates this organisational structure. The discussion below relates to the activities of two Divisions which are of importance in allocating ERDF grants. These are the National Programmes and Integrated Operations Division of Directorate B and the Project Operations Division of Directorate C. Interviews were carried out with three British and one Danish official working in these divisions.

### 3.3.2. Decision-making processes for projects and programmes.

The processes by which applications are examined are basically the same whether they concern individual projects or entire programmes. This procedure can be divided into five basic stages:

- a. arrival of applications;
- b. determining basic eligibility;
- c. assessment of "Community interest";
- d. consultation with the ERDF Committee;
- e. final decision.

#### a) Applications.

Applications for projects costing less than 15 million ECU are submitted by national governments at the beginning of each quarter in the form of packages of projects from particular regions. Projects of more than 15 Million ECU and NPCIs may be submitted separately and at any time of the year.

Since the creation of the ERDF in 1975 the numbers of applications for aid have risen at a similar rate to the



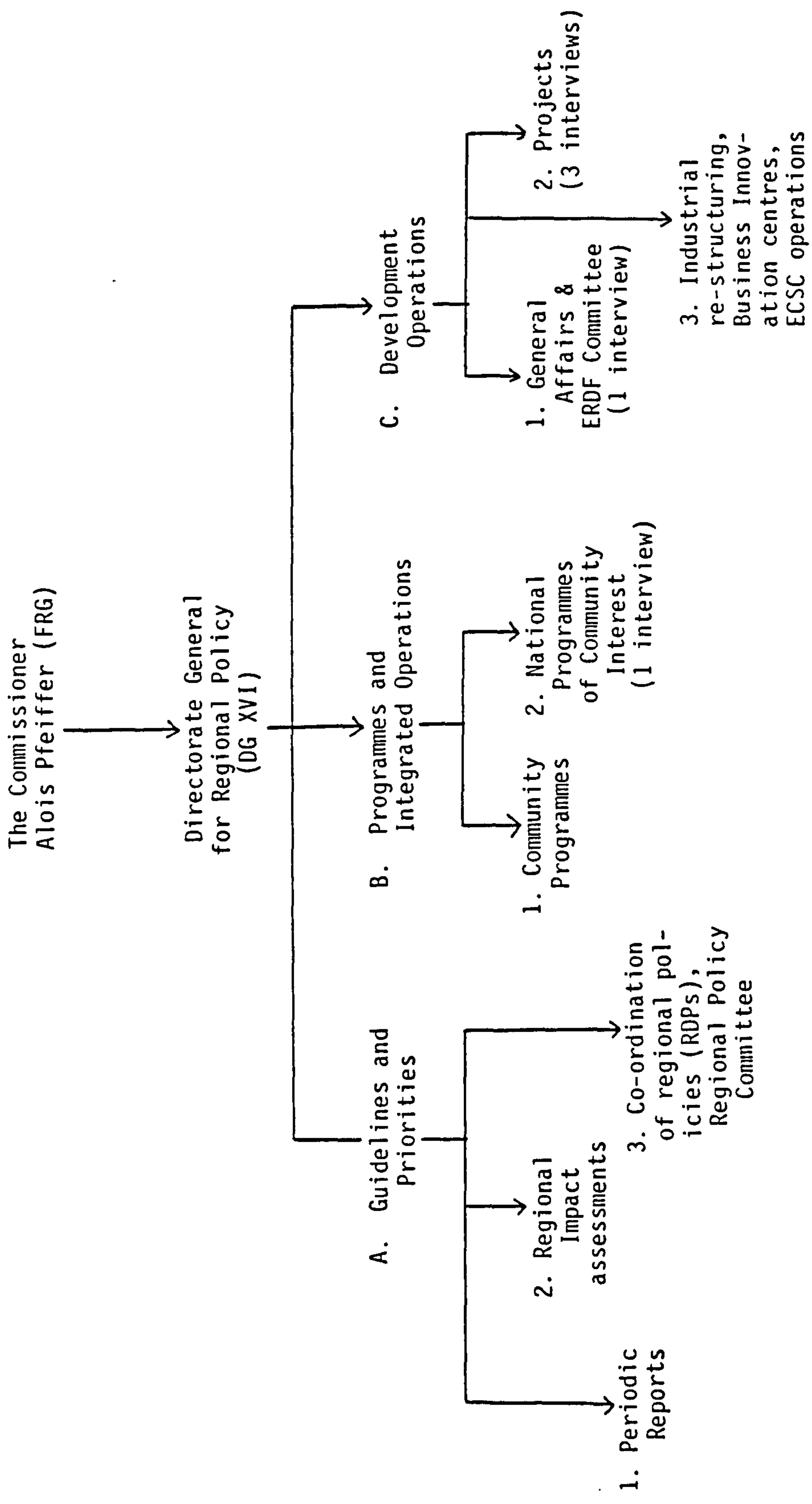


FIGURE 3.1. THE ORGANISATIONAL STRUCTURE OF THE DIRECTORATE GENERAL FOR REGIONAL POLICY, DG XVI.

general increases in the size of the Fund (see Chapter 2). Figure 3.2 and Table 3.1 illustrate that applications have increased from 3252 projects in 1980 to a peak of 7249 projects and 17 NPCIs in 1985.

TABLE 3.1. INCREASES IN NUMBERS OF ERDF APPLICATIONS, 1975-1986.

Year	Numbers of applications for individual projects	% increase	Applications for NPCIs
1975	1521	-	
1976	2112	38.9	
1977	2477	17.3	
1978	1940	-21.7	
1979	3771	94.4	
1980	3252	-13.7	
1981 (1)	3752	15.4	
1982	5117	36.4	
1983	5102	-0.3	
1984	5906	15.8	
1985	7249	22.7	17
1986 (2)	6154	-15.1	47

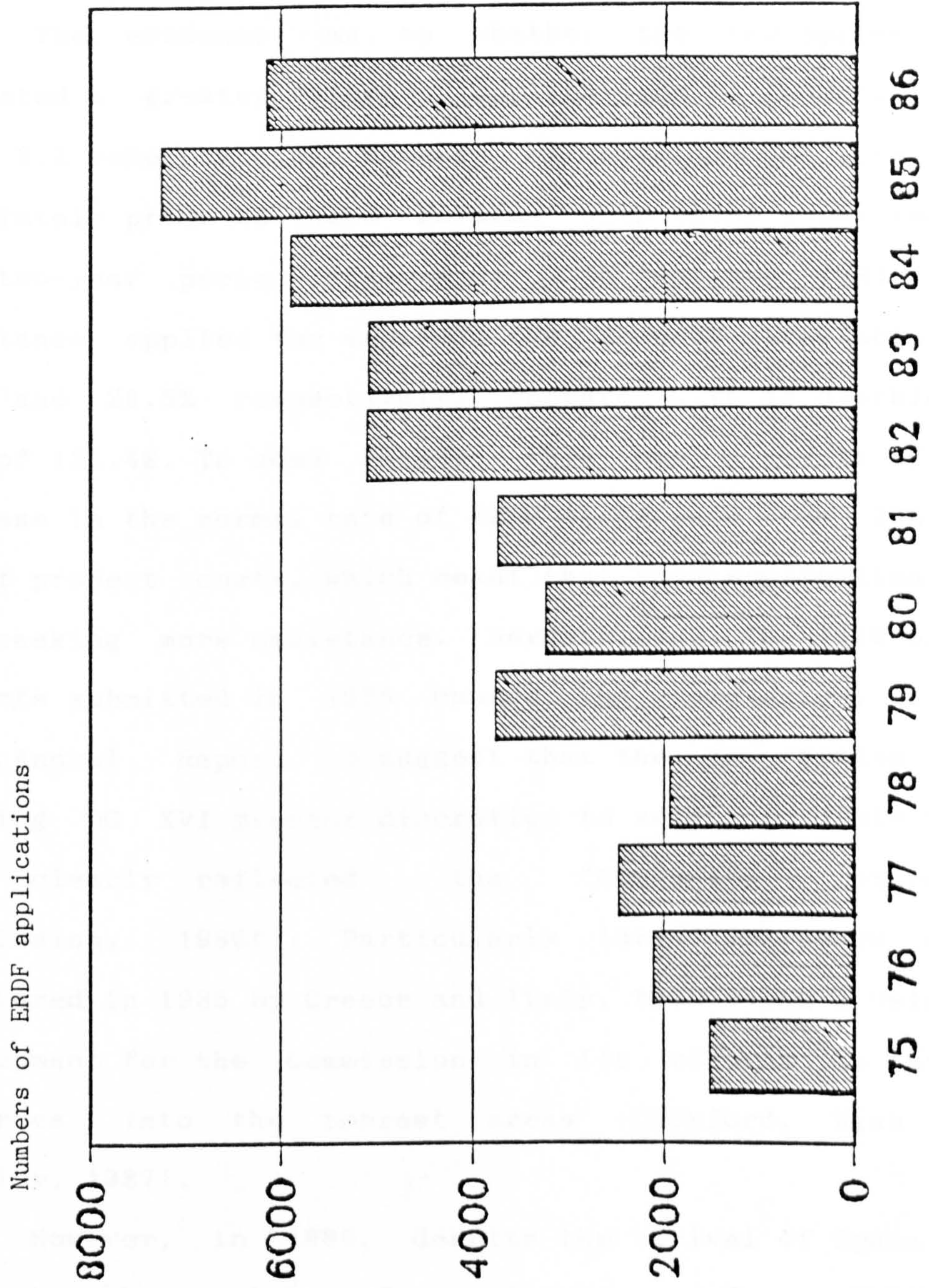
Notes. 1) Greece joined the Community in 1981.  
2) Spain and Portugal joined in 1986.

Sources: Various ERDF Annual reports.

One criticism of the ERDF prior to the 1984 reform was that the lack of competition between member states for ERDF assistance allowed national governments simply to submit sufficient applications to meet their national quotas. The Commission was unable to exercise any real influence over the choice of projects to be assisted. Furthermore, member states, assured of their fixed quotas, had little incentive to put forward particularly imaginative projects. The advent of indicative ranges meant that the Commission would enjoy greater discretion to choose which particular projects to assist and would therefore be able to select the projects which best served the Community's



FIGURE 3.2. INCREASES IN ERDF APPLICATIONS, 1975-1986





objectives. Moreover, the system of ranges was intended to encourage member states to submit a larger number of applications in order to improve their chances of obtaining the maximum allocations (Commission, 1986f), thereby increasing still further the discretion of the Commission

The evidence as to whether the new system has generated a greater volume of applications is inconclusive. Table 3.2 compares the numbers of applications submitted immediately prior to these reforms with those submitted in the two-year period afterwards. In 1983 and 1984, the assistance applied for exceeded the amounts available by 15.4% and 26.5% respectively, compared with an overbid in 1985 of 124.4%. To some extent, this was a result of the increase in the normal rate of ERDF assistance from 30% to 50% of project costs, which meant that each application was now seeking more assistance. Nevertheless, the 1300 extra projects submitted in 1985 caused the Commission, in its 1985 Annual Report, to suggest that the new system was allowing DG XVI greater discretion to select projects that most clearly reflected the "Community interest" (Commission, 1986f). Particularly large increases were registered in 1985 by Greece and Italy, this being a welcome development for the Commission in its efforts to steer resources into the poorest areas (Croxford, Wise and Chalkley, 1987).

However, in 1986, despite the arrival of Spain and Portugal, the numbers of applications for individual projects fell by 15% and the overbid was just 21.5% (Table 3.2). This reduction was partly offset, however, by the 47 applications for NPCIs. The Commission (1988b) then

Million ECU

Member State	Assistance applied for in each year (no. of projects+NPCIs) (3)		
	1983	1984	1985 (2) 1986
Belgium	36.2 (119)	49.1 (185)	78.7 (226) 21.3 (47+1)
Denmark (1)	23.8 (130)	23.2 (143)	16.9 (147) 15.0(251+1)
FR Germany	75.3 (250)	138.7 (348)	143.5 (387) 144.3 (343)
Greece	410.3 (257)	269.6 (209)	556.9 (289) 407.8 (220+7)
Spain	n.a.	n.a.	n.a. 856.4 (235)
France	328.9 (1463)	378.5 (1129)	529.9 (902+10) 239.0 (323+16)
Ireland	124.4 (110)	168.4 (155)	223.7 (160) 119.0 (97+1)
Italy	953.3 (1720)	1035.8 (2292)	2640.3 (3677) 1059.6 (3660+16)
Luxembourg	-	4.7 (11)	- - (1 NPCI)
Netherlands	16.8 (11)	36.0 (28)	18.1 (27) 31.4 (7+1)
Portugal	n.a.	n.a.	n.a. 55.2 (65)
United Kingdom	473.2 (1042)	837.8 (1400)	1306.0 (1434+7) 774.8 (906+3)
Total applied for (3)	2442.2 (5102)	2936.8 (5906)	5531.4 (7249+17) 3724.0 (6154+47)
Total available	2115.5	2320.9	2457.1 3066.2
Overbid %	15.4	26.5	124.4 21.5

Notes: 1) Greenland (a Danish Protectorate) withdrew from the Community in 1984)

2) Eligible assistance increased from 30% to 50% in 1985;

3) Total applied for does not include NPCIs for which no data are available on a year-by-year basis.

Sources: Commission (1984c, 1985, 1986f, 1988b).

TABLE 3.2. ERDF ASSISTANCE APPLIED FOR, 1983-1986.

suggested that the 1985 peak figure was something of an anomaly caused by member states holding back applications from 1984 so that they could be dealt with under the new Regulation which came into operation in January 1985. Nevertheless, there is some evidence from the UK that the British Government has responded to the indicative range system in the way that the Commission intended. A UK Government spokesman at a recent House of Lords Committee Enquiry indicated that the DoE tries to forward 25% more applications than the maximum allocation to which the UK is entitled (House of Lords, 1988).

In conclusion, the indicative range system has led to a modest expansion of the Commission's ability to exercise "top-down" control over the operation of the Fund in order to ensure that it conforms with the "Community" objective of concentrating on the neediest areas. The next section examines how the Commission attempts to exert this potential authority.

#### b) Assessment of the basic eligibility of applications.

The initial examination of submitted projects and programmes is intended to determine whether applications meet certain eligibility criteria laid down in the Fund Regulation. These criteria are absolute and therefore failure to meet any one of them will disqualify the project from receiving a grant (interview with official of Directorate C, DG XVI). The criteria for individual projects include: the minimum size of a project (50,000 ECU); the availability of a public authority contribution to project costs; location in an assisted area; the names of the authorities responsible for the project; and various



other technical criteria (Council Regulation (EEC) 1787/84).

The Regulation also lists a number of items which an NPCI application must contain. These include: specific objectives; a timetable for the implementation of the various measures within the programme; a detailed financing plan; descriptions of the most significant projects; and arrangements for publicity. When checking these criteria, the Commission concentrates on firstly, the programme's analysis of the particular area's economy, which should highlight the major problems being faced as well as any particular strengths which the area may have. For example, the Programme may relate to a region where there is potential for increased investment in the tourism sector, or where new infrastructure is a prime requirement. Secondly, the NPCI Division verifies that all applications contain a "strategy" for the economic development of the area, including a number of explicit programme objectives. The nature of this strategy should reflect the strengths and weaknesses of the area concerned. Furthermore, the Programme must contain a variety of measures other than just a collection of infrastructure projects. For example, the Commission is particularly concerned to see measures for local business development under Article 15 of the Regulation. Finally, submitted programmes should contain, within the overall strategy, a number of sub-programmes concerned with developments planned in particular sectors such as roads or industrial estate provision (interview with official of Directorate B, DG XVI).

c) The assessment of "Community Interest".

If a project or programme satisfies these basic eligibility criteria then it passes on to the stage at which the "Community interest" of the scheme is assessed. This process was introduced by the 1984 reform of the ERDF in order to facilitate the choice between competing applications. The Fund Regulation stated that:

ERDF assistance shall be decided upon by the Commission according to the relative severity of the economic imbalance affecting the region where the investment project is carried out and the direct or indirect effect of the project on employment (Council Regulation (EEC) 1781/84, Article 21).

The reformed Regulation also set out a series of criteria which measure the "Community interest" of both projects and programmes (Council Regulation (EEC) 1787/84, Articles 11 and 21). Subsequently, the Commission put these criteria in order of priority (Commission, 1985b). The most important was "contribution to and consistency with the Community's objectives". This would be measured by three variables. The first of these was the relative severity of the economic inequalities affecting the region concerned in relation to both other parts of the same member state and the rest of the EC. Furthermore, it would be measured by consistency with Community objectives in other policy sectors such as communications and the environment and, finally, by the extent to which the ERDF assistance was additional to national spending.

The second most important criterion used to measure "Community interest" was the project's "contribution to the economic development of the region". The third was the "direct and indirect effect" of the scheme on employment.

The aim of this assessment was to eliminate applications which, although satisfying the technical ERDF criteria, were of little or no "Community interest" (interview with official in Directorate C of DG XVI). In this way, the Commission was attempting to assert "top-down" control over the operation of the Fund so that it could function according to perceived "Community" criteria.

However, in attempting to operationalise the potential authority which it possesses, the Commission has encountered a variety of problems. For example, in 1985, applying the above criteria proved very problematic, mainly because of the difficulty of quantifying criteria such as "indirect effect on employment" or "contribution to economic development". The resulting problems were so great that in 1986 little attempt was made to apply the new method and it was only in 1987, at the end of the three year period to which the indicative ranges initially applied, that the final decisions were made on how to allocate the 11.4% margin between the minimum allocations to which member countries were entitled and the total funds available.

During 1987 a system was devised that quantified the assessment criteria in order to measure the relative importance of each variable (interview with official in Directorate C, DG XVI). This allowed each project to be given a supposedly objective Community interest "score", facilitating the selection of the "best" projects for ERDF assistance. The criterion receiving the highest weighting was the "relative scale of regional imbalances". Thus, the Commission hoped to use this method to increase the concentration of spending on the neediest regions (interview



with official of Directorate C, DG XVI).

The idea of calculating a "score" to judge the merits of competing applications risks giving a spurious objectivity to what is in reality a highly subjective judgement. The calculations depend upon the weightings applied to the various criteria; a process which is based on the judgement of individuals within the Commission. In reality the whole scoring system is a means of applying "top-down" control over the implementation of the ERDF, in order to pursue what the Commission perceives to be the desirable objectives of the Fund, rather than an attempt to judge the precise worth of competing applications in a detached way.

The confusion over the allocation of the 11.4% margin created problems in 1987. In this final year of the three-year period of the initial indicative ranges, the staff of DG XVI had to be particularly careful that the final allocations were within the set limits (interview with official in Directorate C, DG XVI). In addition, it would have been politically unacceptable to the less affluent countries if a richer member state received its maximum allocation from the Fund. Moreover, such an outcome would have been at odds with using the indicative range system to concentrate more assistance in the poorest areas. Consequently, decisions on grant applications taken by Commission staff in 1987 had to take into account more than just the relative merits and "Community interest" of submitted applications. Paradoxically, it was possible that projects refused assistance in 1987 were more worthy of finance than projects which were funded during 1985 and 1986

(interview with official of Directorate C, DG XVI). Table 3.3 shows that despite all of these problems the Commission had succeeded at the end of 1987 in increasing slightly the concentration of spending in the poorer member states. Both Greece and Ireland, whose per capita GDPs are well below the EC average, received the maximum allocation to which they are entitled. Of the other countries, Italy (another less affluent member state) and the UK also received shares closer to the maximum than the other richer countries.

Once the Commission has assessed the "Community interest" of projects and NPCIs, it produces a draft decision detailing the schemes it intends to fund. This decision is a legal document required because the Commission is empowered to take final decisions on the allocation of ERDF grants, subject to having consulted the ERDF Committee (see below), without involving the Council of Ministers. This draft decision contains all the projects the Commission wishes to fund. Three of these decisions are prepared each year in preparation for the three meetings of the ERDF Committee which is the final hurdle that applications must face.

#### d) The ERDF Committee.

This committee is composed of representatives of the member states who are normally civil servants from a relevant national ministry. For example, the British representatives are Assistant Secretaries at the Department of Trade and Industry and the Department of the Environment, with occasional representation from the Scottish, Welsh and Northern Irish offices.

The 1984 ERDF Regulation altered somewhat the

TABLE 3.3. ALLOCATION OF ERDF GRANTS, 1975-1987.

Member state	Total ERDF (Million ECU)	% of total	(% 1986 -1987)	Per cap- ita (ECU) 86/87)	Per cap. % of max 85-87	
Italy	6904.7	34.2	(27.8)	121.1	30.0	95
United Kingdom	4401.9	21.8	(16.3)	77.9	17.8	94
France	2374.5	11.8	(6.6)	43.2	7.4	89
Greece (1)	1990.1	9.9	(8.0)	201.1	49.9	100
Spain (2)	1270.2	6.3	(20.6)	34.9	34.9	86(3)
Ireland	1097.1	5.4	(3.7)	308.2	64.7	100
FR Germany	814.1	4.0	(3.2)	13.3	3.2	84
Portugal (2)	749.9	3.7	(12.2)	74.3	74.3	85(3)
Netherlands	216.2	1.1	(0.7)	15.0	3.0	76
Denmark	166.5	0.8	(0.3)	32.6	4.0	84
Belgium	164.6	0.8	(0.4)	16.7	2.7	86
Luxembourg	15.3	0.1	(0.1)	41.4	10.0	78
EC Total	20165.1	100	(100)	62.8	19.2	

Notes. 1) Greece joined the EC in 1981.

2) Spain and Portugal joined in 1986.

3) 1986/87 only in the case of Spain and Portugal.

Sources: Commission (1987b, 1988b, 1988c).  
Eurostat (1987).



operation of the ERDF Committee. Before 1985, it was required to deliver an opinion on all projects costing more than 10 million ECU. In addition, it could be consulted on any smaller projects which a member state or the Commission wished the Committee to discuss. The reformed Regulation introduced a new procedure which reduced the Committee's workload and hence its influence over the allocation of assistance. It would now be consulted on all projects greater than 5 million ECU and all programmes but could no longer discuss any smaller schemes. As Table 3.4 shows these procedural changes reduced substantially the number of projects on which it was consulted. A list of smaller projects is now presented by DG XVI as a "fait accompli" and the decisions on these projects are now entirely the responsibility of the Commission. These changes are an example of how authority has shifted slightly away from the member states to the Commission. The Commission has greater scope to control the operation of the Fund without needing to secure the agreement of member governments. Apart from projects greater than 5 million ECU, the ERDF Committee is also consulted on all applications for NPCIs, Community Programmes and Article 15 measures. As usual, voting takes place according to the qualified majority system. The Committee also discusses a variety of other matters relating to the management of the ERDF, such as new application forms, procedural changes, new interpretations of different types of projects and the assessment of Community interest.

TABLE 3.4. THE ACTIVITY OF THE ERDF COMMITTEE, 1983-1986.

Year	>10 MECU	<10 MECU	Total	% of total applications	
1983	149	443	592	13%	
1984	199	630	829	14%	

	>5 MECU	>15 MECU	Total	Progs.	
1985	233	103	336	7	4.6%
1986	232	117	349	14	5.7%

Source: Commission (1984c, 1985 , 1986f, 1988b).

The Committee is required to give an opinion on all the projects on which it is consulted. Three outcomes are possible: a positive opinion; a negative opinion; or no opinion. A positive opinion means that the Committee endorses the award of a grant to a project or the funding of a programme. A negative opinion means that the Council of Ministers would have to be consulted about the project and could overturn the Commission's provisional decision. However, while the ERDF has been in operation, the Committee has never given a negative opinion. There are two reasons why this is the case. Firstly, the Committee votes by qualified majority voting according to the same system designed for the Council of Ministers. Therefore it is very difficult to muster enough disapproval among national delegations about an individual project or programme to secure enough votes to give a negative opinion. On many occasions, individual national delegations have delivered negative votes or abstained from voting altogether. In 1986, for example, 18 projects were the subject of negative votes or abstentions. But these have not been sufficient to

block the Commission's draft decision. A second reason for the lack of negative opinions delivered by the Committee as a whole is that the Commission will not normally present any schemes which are highly controversial. It is very careful to check that all criteria are clearly satisfied and to discuss potentially borderline cases with member governments in advance.

The role of the ERDF Committee is essentially advisory and regulatory. It has certain powers but the practice of majority voting and the care exercised by the Commission to submit acceptable schemes, means that these powers are seldom formally exercised. The importance of the Committee is essentially its potential to monitor the activities of the Commission. Its existence means that the Commission is not given an entirely free hand in the allocation of grants.

e) The final decision.

Once the ERDF Committee has been consulted, the Commission produces a final formal decision on the allocation of grants. This decision is formally taken by the seventeen Commissioners, but in practice this is essentially little more than a "rubber-stamping" exercise on decisions which have already been taken by Commission officials and the ERDF Committee.

Since 1975, these decisions have resulted in the provision of grants totalling 20.17 billion ECU (approximately 14 billion). Table 3.3 shows how this aid has been divided up among the member states. Obviously, this distribution has been largely controlled by the system of national quotas and indicative ranges (see Chapter 2).



The Table and Figure 3.3 show that the largest beneficiaries in absolute terms have been Italy, United Kingdom, France, Greece, Spain and Ireland. Of course, Greece only joined the Community in 1981 and the two Iberian countries did not join until 1986. In fact, in the 1986 to 1987 period, the rank order of recipients was Italy, Spain, United Kingdom, Portugal and Greece (Figure 3.3). However, the member states vary greatly in population size, ranging from 61 million in FR Germany to 0.37 million in Luxembourg. Therefore, a more meaningful measure of benefits from the ERDF is the per capita allocation (Figure 3.4). On this basis, three less-affluent member states, Ireland, Greece and Italy, have been the leading recipients since 1975 (although Greece only joined the Community in 1981). Moreover, in 1986 and 1987 the five countries with GDP per capita below the EC average have also been the five most-aided countries according to this per capita measure; namely, Portugal, Greece, Ireland, Spain and Italy. The UK, which since the arrival of Spain and Portugal has had a GDP per head above the EC average, has received the second largest absolute share of the ERDF since 1975 (third largest since 1986), but on a per capita basis has received a level of assistance below the Community average (Figure 3.4). Therefore, despite the quota and indicative range systems, which guarantee even the richest states shares of the Fund, the bulk of assistance has been directed to the less-affluent countries. Moreover, as we have seen, the ability of the Commission to increase this concentration appears to have been increased.

In the three years since the entry into force of the

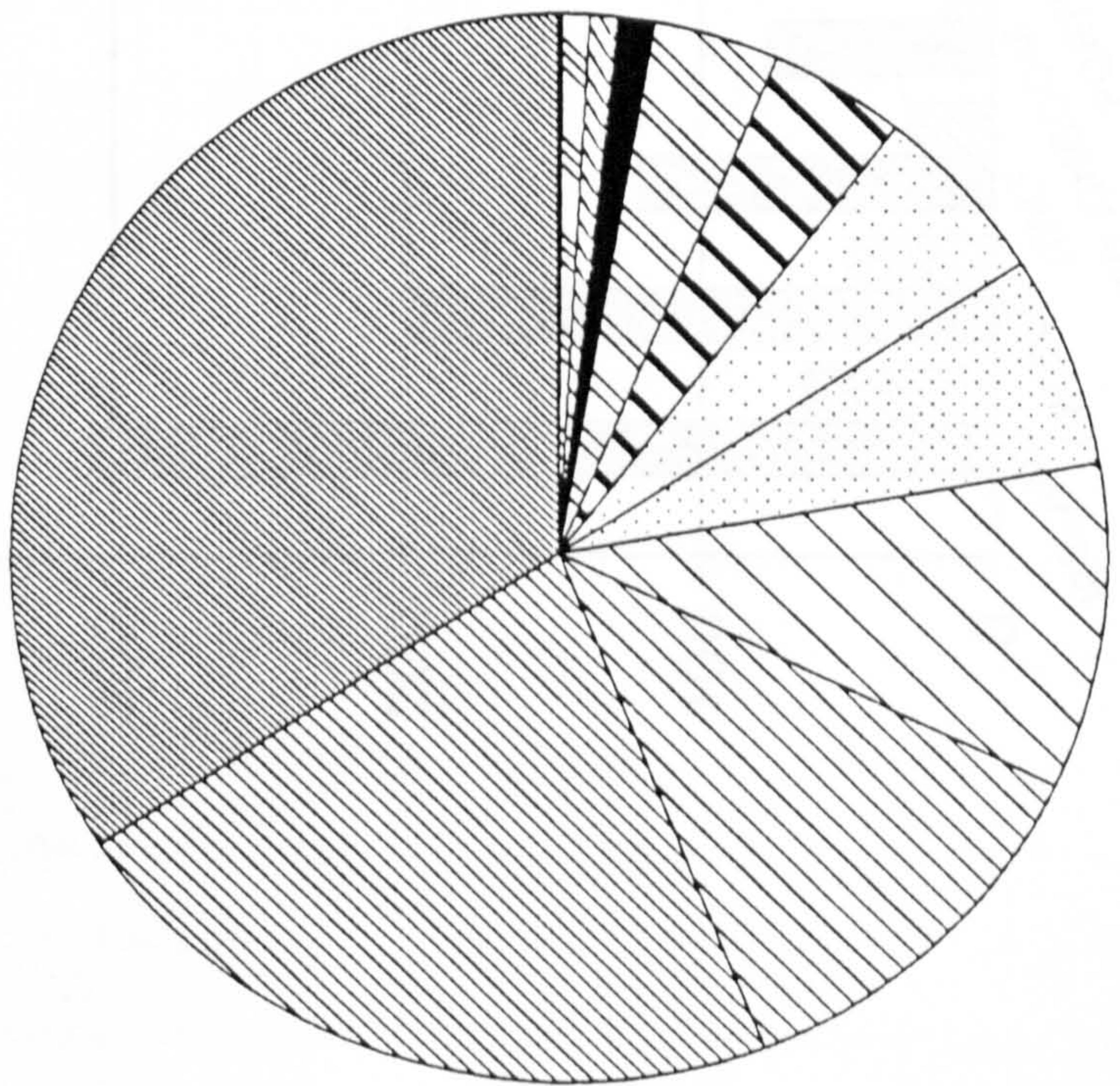


FIGURE 3.3.

# ALLOCATION OF ERDF GRANTS 1975-1987 AND 1986-1987

- |                  |               |
|------------------|---------------|
| ▨ ITALY          | ▨ FR GERMANY  |
| ▨ UNITED KINGDOM | ▨ PORTUGAL    |
| ▨ FRANCE         | ▨ NETHERLANDS |
| ▨ GREECE         | ▨ DENMARK     |
| ▨ SPAIN          | ▨ BELGIUM     |
| ▨ IRELAND        | ▨ LUXEMBOURG  |

1975-1987 20.17 Billion ECU



1986-1987 6.16 Billion ECU

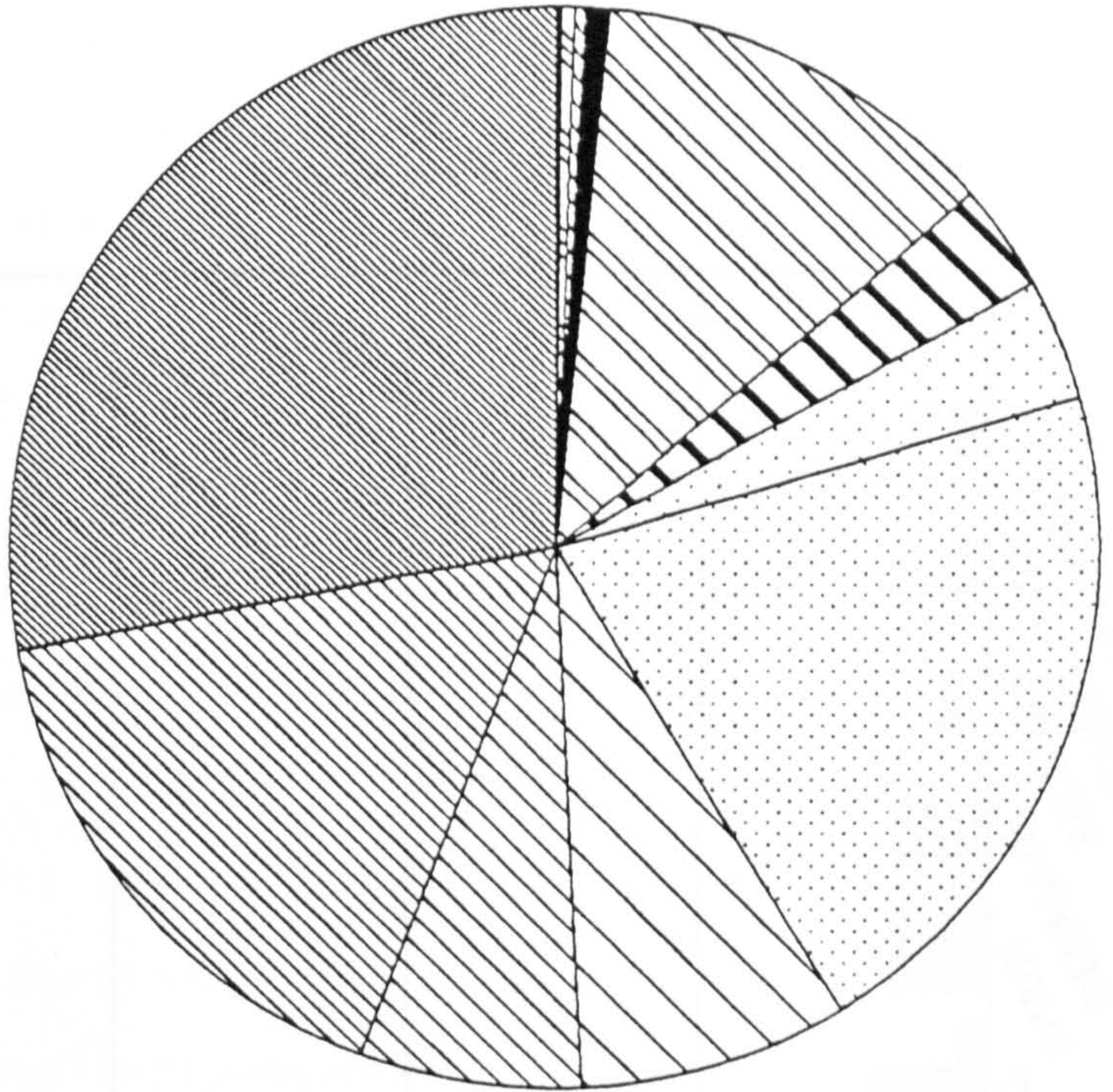
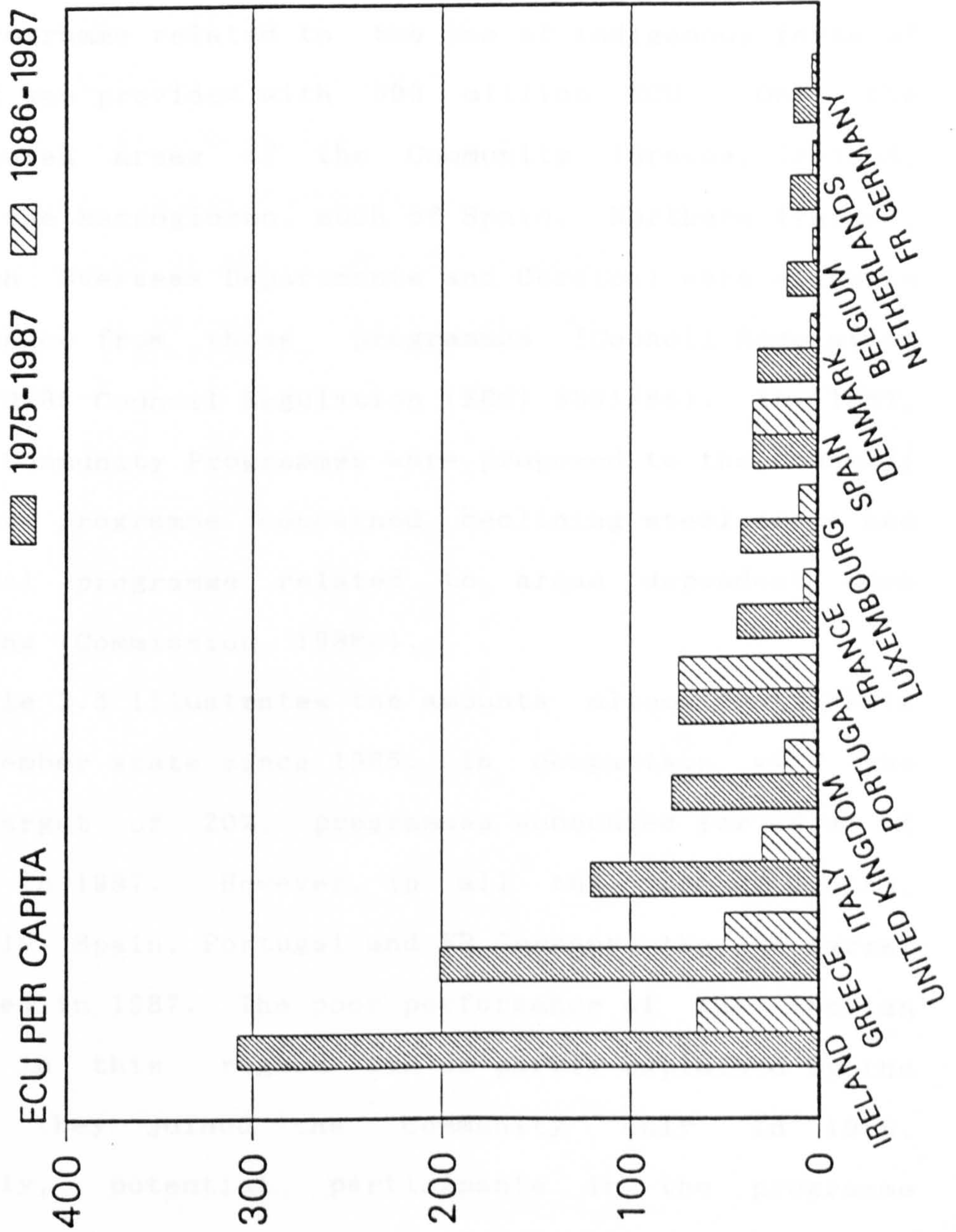




FIGURE 3.4.

### ALLOCATION OF ERDF GRANTS PER CAPITA 1975-1987 AND 1986-1987





1984 Regulation, the programme approach has not developed at quite the speed envisaged at the outset. The Council of Ministers has to-date agreed two Community Programmes. The STAR Programme concerned the improvement of advanced telecommunications and was allocated 777 million ECU. The Valoren Programme related to the use of indigenous forms of energy and was provided with 393 million ECU. Only the least-favoured areas of the Community (Greece, Ireland, Portugal, the Mezzogiorno, much of Spain, Northern Ireland, the French Overseas Departments and Corsica) were eligible for assistance from these programmes (Council Regulation (EEC) 3300/86 Council Regulation (EEC) 3301/86). In 1987, two other Community Programmes were proposed to the Council; the Resider programme concerned declining steel areas and the Renaval programme related to areas dependent upon shipbuilding (Commission, 1988c).

Table 3.5 illustrates the amounts allocated to NPCIs in each member state since 1985. In comparison with the original target of 20%, programmes accounted for 15.4% of assistance in 1987. However, in all the member states, except Italy, Spain, Portugal and FR Germany, the 20% target was exceeded in 1987. The poor performance of the Iberian countries in this regard can be partly explained by the fact that they joined the Community only in 1986. Consequently, potential participants in the programme approach in these countries need time to develop the considerable expertise required to draw-up and submit these schemes. The lack of successful Italian Programmes is less easy to explain. Italy has received ERDF contributions for Integrated Mediterranean Programmes (IMPs) operating in the

Mezzogiorno. However, the amounts of assistance allocated have hitherto been relatively small. The potential benefits of programmes in the poorest regions may not be realised if authorities in these areas lack the administrative capacity to develop programmes of this kind. This point illustrates the importance of "bottom-up" initiative in determining the extent to which a Community policy objective is implemented. The Commission cannot allocate assistance unless applications are forthcoming.

TABLE 3.5. NUMBERS OF NPCIS APPROVED BETWEEN 1985 AND 1987.

Member state	No. of programmes	Assistance committed (MECU)		% 1987
		1985-1987	1987	
Belgium	3	17.1	13.7	58
Denmark	2	5.4	3.1	25
FR Germany	-	-	-	-
Greece (1)	6	125.2	107.6	36
Spain	1	27.3	27.3	4
France (2)	18	184.5	184.5	45
Ireland	1	66.9	66.9	41
Italy (1)	7	30.9	30.9	3
Luxembourg	1	2.0	1.0	30
Netherlands	1	5.3	5.3	26
Portugal	1	29.0	29.0	7
UK	10	262.2	131.2	21
EC 12	51	755.8	541.7	15

Note. 1) All Greek and Italian NPCIS are ERDF contribution to Integrated Mediterranean Programmes.

2) Some French programmes are ERDF contribution to Integrated Development Operations.

Sources. Commission (1986f, 1988b).

### 3.5. CONCLUSIONS: ELEMENTS OF TOP-DOWN CONTROL.

Having examined the decision-making processes with which the Commission attempts to put the ERDF's "operational" objectives into practice, the discussion concludes by concentrating on some conceptual implications

of the Commission's role in policy implementation. Proponents of a "top-down" approach are concerned to identify those elements of the implementation system which allow policy makers who wish to achieve certain objectives to control the activities of other actors involved.

The Commission has a degree of authority at its disposal to determine how the ERDF operates. Moreover, it has been able to increase these powers gradually over time. Firstly, the non-quota section of the ERDF allowed the Commission greater control over the allocation of the Fund by instituting a small proportion of resources which could be spent on programmes initiated by the Commission in specific sectors such as shipbuilding or textiles. Furthermore, the introduction of an indicative range system, following the 1984 reforms, gave the Commission more discretion to choose between competing projects (subject in the case of large projects and Programmes to the approval of the ERDF Committee) and thereby partly to determine the spatial and sectoral distribution of funding. Although, as we have seen, the Commission had great difficulty translating this potential authority into an effective system for choosing between applications according to their "Community interest". The programme approach, moreover, means that the Commission has the opportunity to use the Fund to influence the nature of regional development activities and thereby to improve the effectiveness of Fund assistance. This is particularly the case as far as "Community Programmes" are concerned since these are instigated by the Commission itself.

Thus, the Commission has some powers to exert



top-down control over the implementation process and to put the Fund's objectives into practice. However, these powers are limited. Many aspects of the Fund's activities remain in the grip of the member states. Firstly, the presence of the ERDF Committee means that DG XVI must be careful not to present projects which are likely to receive any degree of disfavour from a majority of member states. The lack of negative opinions from the Committee reflects, not the Committee's impotence, but the care exercised by the Commission to build a consensus of opinion among all the member governments.

A second constraint on the Commission's authority is that, despite the extra flexibility of the indicative range system, the proportion of resources which are free of national quotas is still only 11.4% of the Fund. On the other hand, the programme approach, which the Commission views as the most effective instrument of EC regional policy, is developing in many member states into an important aspect of the ERDF's activities.

In conclusion, the Commission has some authority to exert "top-down" control in order to promote "Community" objectives within a framework in which national interests are taken into account. However, the following Chapter will show that in the UK "national" control is strengthened by government's tight hold on the purse-strings of ERDF assistance and by its pivotal role in the decision-making process.

## CHAPTER 4: THE IMPLEMENTATION OF THE ERDF IN THE UK AND THE ROLE OF THE NATIONAL GOVERNMENT.

### 4.1. INTRODUCTION.

This Chapter is divided into two sections. The first examines how far the operational objectives of the ERDF are achieved in the UK. The second assesses the role of the United Kingdom government in the ERDF's implementation structure. Our emphasis is on the means by which national government can control how Community policy is implemented.

### 4.2. THE ACHIEVEMENT OF ERDF OPERATIONAL OBJECTIVES IN THE UNITED KINGDOM.

The four objectives highlighted earlier were:

1. the "additionality" of ERDF assistance;
2. the geographical concentration of aid in the neediest areas;
3. the objective of a programme approach;
4. the encouragement of the potential within regions for internally generated development.

#### 4.2.1. The objective of "additionality".

Many questions have been raised as to whether the assistance provided by the ERDF has really been used to supplement the resources available within member states for the development of problem regions (Wilson, 1980; Meny, 1982; Preston, 1983; Comfort, 1987; Court of Auditors, 1987). The European Court of Auditors, for example, noted that almost all schemes for which applications were made had started before a decision was made to grant assistance. They argued that "it follows that in practice there is no direct relationship between the execution of a given project and the Commission's aid decision" (Court of Auditors, 1984, p8).

The UK experience of additionality has been the subject of particular scrutiny (Preston, 1983; Armstrong, 1985; Wise and Croxford, 1988). As far as industrial, craft and service sector projects are concerned, the Department of Trade and Industry (DTI) applies for ERDF grant aid for projects which already receive national regional aid. The subsequent Fund assistance is then used to reimburse the DTI's own expenditure. Successive Labour and Conservative Governments have argued that:

although Fund receipts for industrial projects are retained by the Government, they are taken into account when determining the levels of regional assistance which would be lower without the Fund receipts (DTI Memorandum to House of Lords Select Committee, House of Lords, 1984, p29).

This contention is difficult to prove or disprove since it is impossible to determine how much would be spent on regional aid if the ERDF did not exist. Suffice it to ask in a period of public expenditure reductions (in the regional policy field in particular) and of concern about British contributions to the overall Community budget, whether the Government could resist the temptation to use the ERDF to replace its own expenditure on regional aid.

In the case of infrastructure projects, the Government again operates a restrictive interpretation of the additionality principle. The award of an ERDF grant to a local authority does not result in an expansion of the volume of capital spending the authority is carrying out, since it is not permitted to increase its Government-imposed external borrowing or capital spending limits by the amount of ERDF assistance received. The award of the grant simply means that the local authority does not need to borrow the



money required to carry out the scheme, which it would have to have done without the ERDF. Consequently, although the benefits of an ERDF grant are significant on the revenue side of the authority's budget (no need to repay the loan in future years and no interest payments), the award of a grant does not lead to a corresponding increase in the volume of capital spending that is taking place.

Instead of permitting additionality at the local level, the Government argues that additionality is applied at the national or "global" level. The Government is able to estimate likely ERDF receipts when setting overall public spending levels and therefore it insists that these are higher than would be possible if national resources alone were available. However, this overall increase is relatively small. Average annual ERDF receipts in England of about £100 million compare with total local-authority capital spending of approximately £5000 million (Representative of DoE in House of Lords, 1988). Moreover, because the Fund contributes to national levels of local government spending, all local authorities throughout the Country effectively benefit from a small proportion of this limited additional spending. Therefore, it is clear that the resources of the ERDF are not being used exclusively for regional development purposes in the UK. On the contrary, as the 1988 House of Lords report suggests:

grants are not directed specifically where they are most needed but rather are seen by the Government as providing a supplement for the national budget in the fields eligible for Fund support (House of Lords, 1988, p9).

Nevertheless, there was widespread agreement among those interviewed in this research in South West England

that the savings made on revenue expenditure made the task of applying for ERDF assistance more than worthwhile. Indeed, a DoE spokesman at the recent House of Lords enquiry pointed out that:

we (the DoE) see no lack of keenness from local authorities to apply for the ERDF - or other bodies for that matter - so clearly they see some additionality in it (House of Lords, 1988, p71).

Furthermore, a representative of the British Sections of IULA/CEMR argued that:

we (local authorities) put quite a lot of store by the (ERDF) funding ... it has helped considerably those areas where there is structural regeneration taking place ... they (ERDF grants) create new opportunities for change and growth in an otherwise constrained environment (House of Lords, 1988, p90).

Notwithstanding these accepted local benefits, there remains considerable doubt whether ERDF assistance is leading to an increase in regional development spending commensurate with the level of the actual grants which are awarded. The precise benefits are very difficult to quantify. However, Chorley (1986), an officer of Strathclyde Regional Council, has made an attempt to do so, concluding that, although they are important, actual benefits are considerably less than the value of grants awarded. Chorley calculated that:

Strathclyde's average annual receipts are between £10 and £15 million. On the basis that an ERDF grant is 50% of a project cost then loan charges [on the project] are correspondingly reduced by 50%, and as grants accumulate the annual value [of these reductions in loan charges] can become quite significant - for Strathclyde they are now in the order of £7 million per annum. Sadly for rate payers, the Treasury claws over half of this back in a reduction of the rate support grant ... Rate payers in Strathclyde get a benefit of about £3 million per annum [compared with nominal annual receipts of between £10 and £15 million] (Chorley, 1986, p28).

The problem highlights the ability of national government to control the implementation of a Community policy. All applications are submitted on behalf of the UK Government and all ERDF payments are formally paid to the national Treasury. The Government is thus able to keep tight control of the ERDF's purse strings and to absorb Community finance into overall levels of public expenditure.

#### 4.2.2. The geographical concentration of spending in the most needy areas.

This section outlines the spatial pattern of ERDF aid within the UK and assesses whether the Fund's resources are being directed to those areas which are most in need of such assistance.

The broad geography of ERDF spending among the UK Standard Regions is shown by Table 4.1. This Table, which includes all allocations since 1975, shows that the most successful region has been Scotland which has received almost 24% of the UK's share of the ERDF. Of the other regions, Wales has won approximately 15%, Northern Ireland a little over 10% and the English regions, with the North and North West foremost, sharing about 48%. The remaining 3% has been devoted to schemes covering more than one region.

Figures 4.1 and 4.2 show the allocation of ERDF assistance among the counties of England and Wales and the Scottish regions between 1983 and 1987. It was possible to map only the data from 1983 onwards because prior to that date the available data simply listed the schemes which were funded and gave regional totals of grants awarded without detailing the value of the individual grants at the



TABLE 4.1. ALLOCATION OF ERDF ASSISTANCE AMONG THE UK REGIONS AND COMPARISONS WITH MEASURES OF NEED, 1975-1987.

Standard Region	Total commitments (£Million)	%	per capita in assisted areas £	per unemployed person in £ assis.areas	No.	DAs	IAs	All	Ave. GDP of assisted counties
Scotland	645.9	24.1	184.5	2397.6	269.4	18.4	17.0	18.1	98
Wales	413.5	15.4	160.6	2603.9	158.8	18.1	15.4	16.5	94
North	391.6	14.6	151.3	1896.4	206.5	19.8	15.2	18.6	95
North West	355.8	13.3	86.0	111.5	320.1	19.1	14.3	16.8	99
Northern Ireland	278.7	10.4	178.2	2134.0	130.6	-	-	22.4	83
Yorkshire/Humb.	217.4	8.1	83.9	1138.8	190.9	20.6	16.7	17.3	90
West Midlands (2)	141.4	5.3	39.2	515.5	274.3	-	16.5	16.5	95
South West	116.6	4.4	176.1	2816.4	41.4	21.6	15.2	16.9	86
East Midlands	38.9	1.5	418.3	6174.6	6.3	17.8	16.5	17.4	96
multi-regional	78.0	2.9	-	-	-	-	-	-	-
UK total/ave.	2677.7	100.0	125.6	1497.8	1598.3	19.1	16.0	17.7	100

Notes: 1) Unemployment in October 1986. No. - Numbers unemployed in assisted areas (000s); DA - Development Areas; IA - Intermediate Areas; All - All assisted areas combined.

2) Most of the West Midlands conurbation was awarded assisted area status in November 1984.

SOURCES: Commission, 1986b; Commission Press Releases, 1988, Employment Gazette, December 1986.

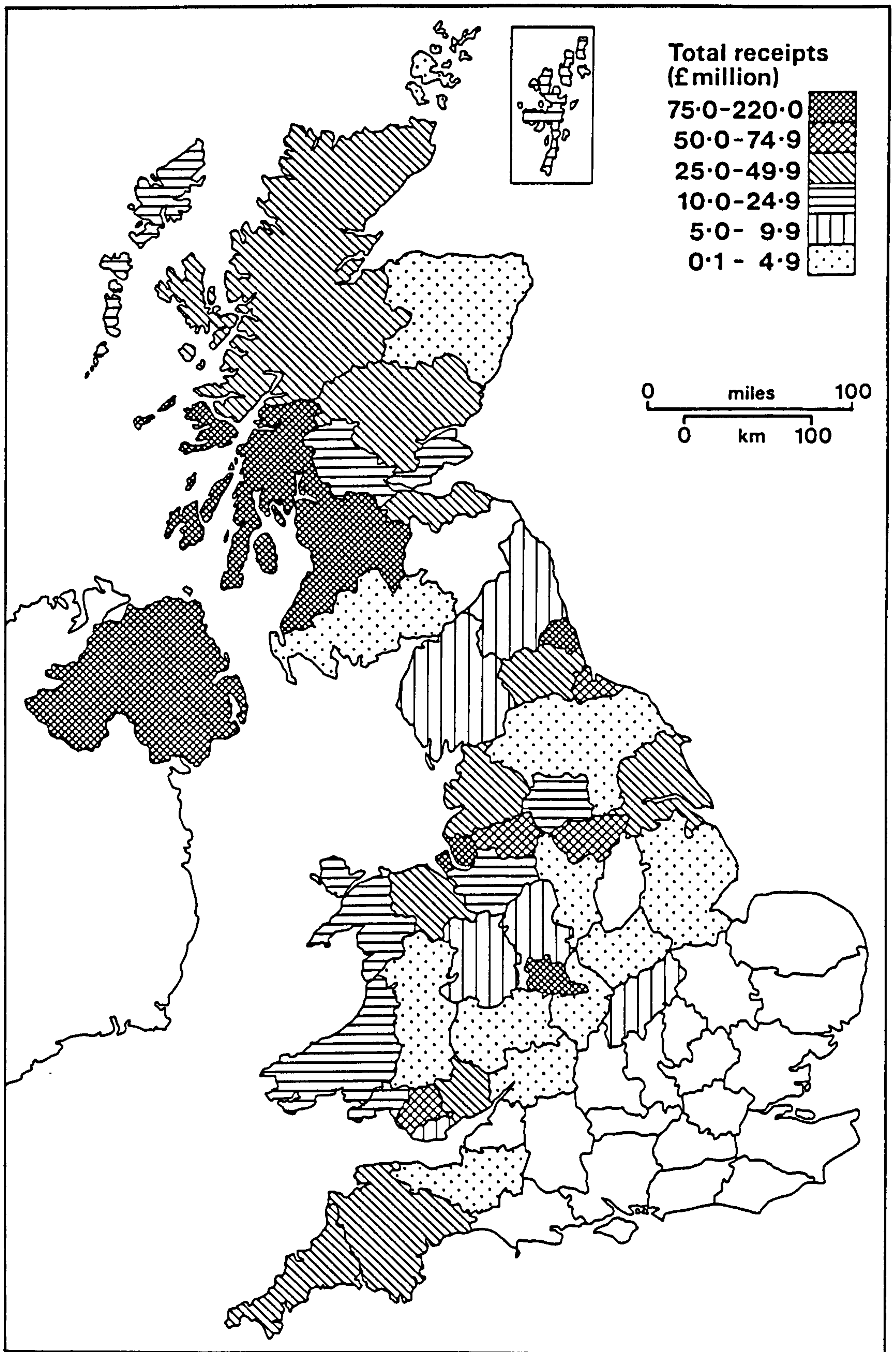


FIGURE 4.1. ALLOCATION OF ERDF ASSISTANCE TO ENGLISH AND WELSH COUNTIES SCOTTISH REGIONS AND NORTHERN IRELAND, 1983-1987.



county level. The most successful counties in Great Britain (Figure 4.1) have been the major metropolitan counties, namely: Strathclyde (which includes Glasgow); Merseyside; Tyne and Wear; and West Midlands; followed by South Yorkshire; Cleveland; Greater Manchester and Mid Glamorgan. Behind these major urban areas, a second rank of assisted counties includes rural areas such as Cornwall and the Scottish Islands, together with a mixed group of counties including Durham, Humberside, Lothian, Tayside and Devon.

Table 4.1 also shows the allocation of aid on a per capita in assisted area basis. According to this measure, a somewhat different pattern of spending emerges. The most successful regions now include the East Midlands and South West England. Indeed, the assisted population of the East Midlands has received almost four times the average allocation. Furthermore, although Scotland and Northern Ireland maintain their high levels of funding, their allocations are now almost matched by that of South West England. Moreover, according to this measure the North West receives only 70% of the UK average. The very high allocation to the assisted population of the East Midlands results from the fact that only a very small area (the Corby Travel to Work Area and small parts of Derbyshire and Leicestershire) and a relatively small population have been eligible for assistance. Consequently, only a small number of grants are required to produce a large per capita allocation. Moreover, the effect of a small number of large grants for expensive projects is to weight the figures firmly in favour of the areas with the smallest populations. A large road scheme, for example, will cost the same whether



it serves 90,000 people in Corby or 3.5 Million in Scotland. To some extent the relatively high per capita allocation to the assisted areas of South West England is also the result of the relatively small population in the region.

At the county level (Figure 4.2) we can see that on a per capita basis a different group of counties are the most successful. These include rural areas such as Cornwall and the Highlands and Islands of Scotland and a number of counties in Wales, together with Tayside in Scotland. Apart from Tyne and Wear, which is one of the most successful counties on a per capita basis, the major metropolitan areas are now part of a group of middle-ranking counties which also includes Devon, Durham, Gwynned, West Glamorgan and three Scottish regions.

A number of factors can be put forward at this stage to help explain this broad spatial pattern of activity. The first of these is the extent of assisted areas in the various regions. Only those areas which are eligible for national regional aid are able to win ERDF assistance. Figure 4.3 illustrates the changing map of eligible areas since 1975 when the ERDF was created. These maps show how the extent of assisted areas has been progressively reduced since 1979 removing many areas from the possibility of attracting ERDF assistance. All regions have been affected by this process as the eligible population has been reduced from 47% of the UK total in 1982 to 30% following the November 1984 reforms to national regional policy. Partly as a result of these changes, South West England's receipts, for example, went down from a peak of £28.6 million in 1984 to £10.4 million in 1985. On the other

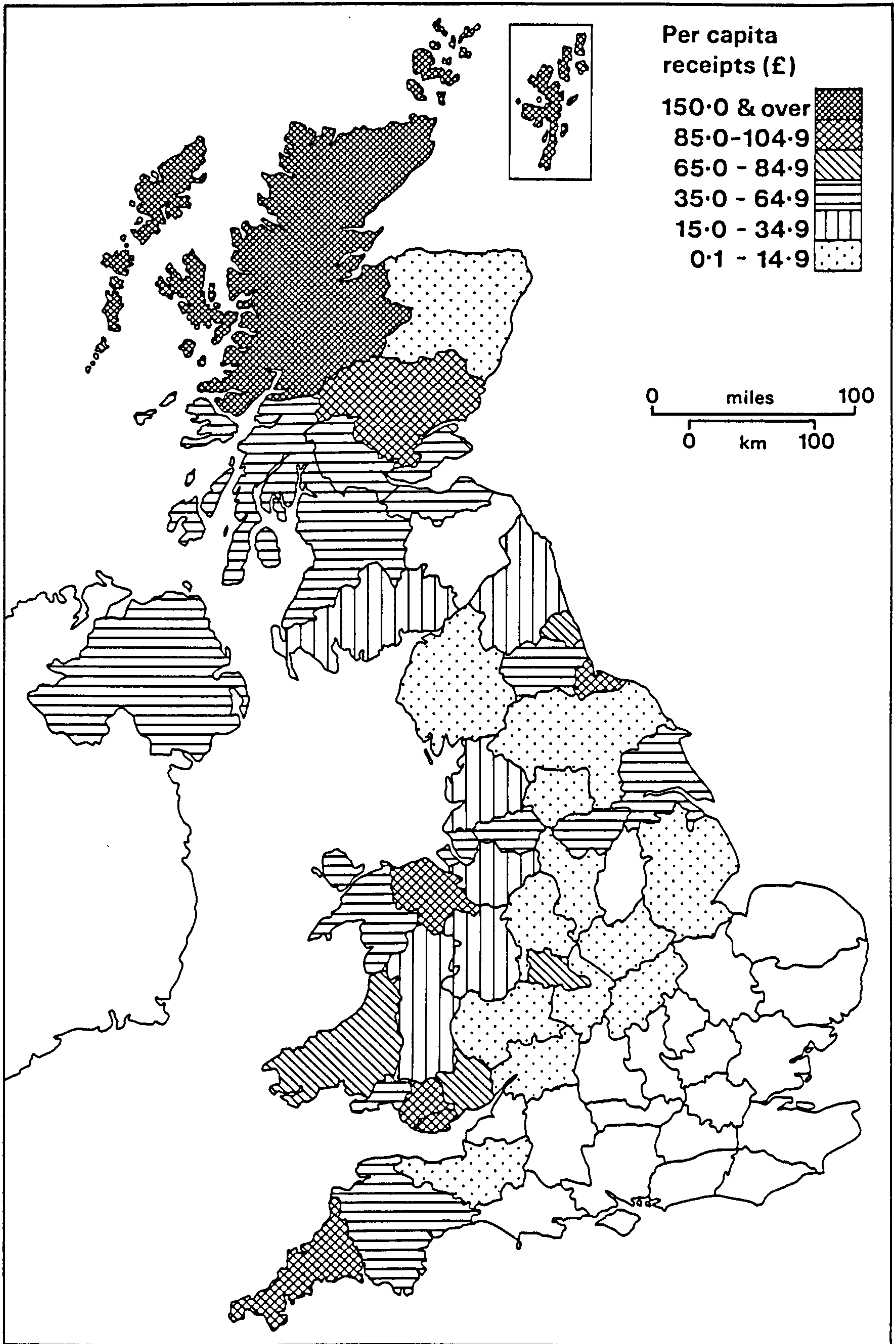


FIGURE 4.2 ALLOCATION OF ERDF ASSISTANCE PER CAPITA TO ENGLISH AND WELSH COUNTIES, SCOTTISH REGIONS AND NORTHERN IRELAND, 1983-1987.



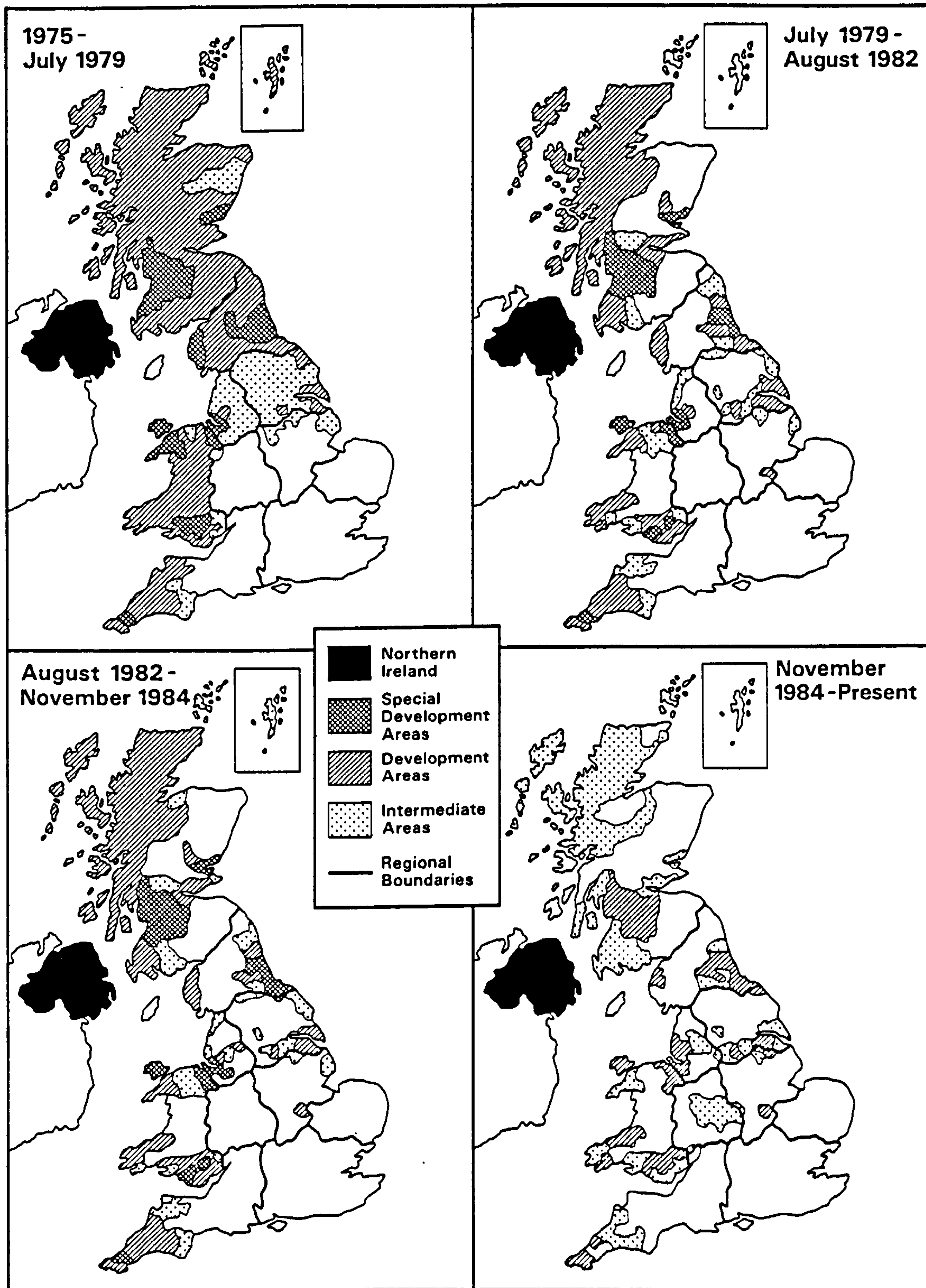


FIGURE 4.3. THE CHANGING MAP OF ASSISTED AREAS IN THE UK, 1975-1987.



hand, the West Midlands County was awarded assisted area status following the 1984 review and as a result became eligible for ERDF assistance for the first time. In fact, in 1985 and 1986, the West Midlands received a total of £90.4 Million from the Fund.

Also of importance in determining the geography of ERDF grants is the density of population in these areas. The aggregation of factors such as relatively large and dense population, many eligible organisations with large capital spending budgets, together with the resulting greater need for infrastructure and industrial development, means that areas like Strathclyde, Merseyside, Tyneside, Humberside and West Midlands are able to generate the largest numbers of ERDF applications and hence receive the largest total shares of assistance. Conversely, areas such as South West England, rural Wales and Northern Scotland are relatively sparsely populated and have less scope for attracting the very largest volumes of grant aid. Although in per capita terms, as we have seen, these areas do relatively well.

The ability of particular regions to generate larger numbers of ERDF applications is one factor explaining the broad spatial pattern of assistance. This reflects the "bottom-up" nature of the implementation process. Unless applications are forthcoming then no grants can be allocated. However, elements of "top-down" control over the allocation of aid may also influence this spatial pattern. It is appropriate here to highlight an issue that has been put forward in the past to explain the regional allocation. It has often been argued (Armstrong, 1978; Wilson, 1980; Meny, 1982 and Martins, Mawson and Gibney, 1985) that the

Department of Trade and Industry, which oversees all UK applications, has imposed an "informal quota" on the distribution of assistance. According to a House of Lords Select Committee report:

a fairly tight and consistent rationing system [has been] operated by the Department of Trade and Industry, ensuring that English regions received about 45% of the available ERDF grants, Scotland 25%, with Wales and Northern Ireland sharing the remainder. (House of Lords, 1984, p5).

Under the rigid quota system by which assistance was allocated to each country until the end of 1984, the DTI was able to control the distribution of ERDF grants within the UK by submitting only enough applications to meet the UK's quota (Girling, 1984). In this way, the regional pattern was controlled by the DTI rather than by the Commission. However, evidence for the existence of an "informal quota" is not conclusive. Table 4.2 shows the proportions of the ERDF allocated to particular regions from 1975 until 1986. It is clear that in each year shares of the Fund vary substantially. For example, Scotland has received annual proportions ranging from 15.8% to 36.7%. However, total allocations over this period do broadly match the figures quoted in the House of Lords Report. The reforms of the ERDF which came into effect in 1985 have certainly reduced the UK Government's potential to influence the spatial pattern of spending in this way. Under the indicative range system it is now in the interests of the Government to submit as many applications as possible in order to maximise the UK's receipts. As a result, the Commission has greater scope to select projects in a way which does not always conform with the UK government's "informal quota".

TABLE 4.2. DEVELOPMENT OF UK REGIONAL INVOLVEMENT WITH THE EUROPEAN REGIONAL DEVELOPMENT FUND.

Year	Region							Total' (£M)		
	Scotland	Wales	North	N.West	N.Ireland	Yorks/Hum.	W.Mids		S.West	E.Mids
1975	21.2	13.2	27.6	13.0	16.7	6.4	0.0	1.7	0.2	46.8
1976	26.2	15.1	26.6	10.8	15.6	3.8	0.0	1.3	0.7	55.7
1977	25.9	11.8	31.9	9.1	15.6	4.3	-	0.8	0.5	60.2
1978	26.3	18.2	19.4	15.7	14.4	4.4	-	1.3	0.3	94.2
1979	24.7	13.3	16.8	16.3	18.1	4.9	-	5.2	0.7	154.5
1980	18.1	21.7	17.3	16.4	12.6	12.0	0.2	1.2	0.5	152.1
1981	36.7	10.9	29.9	7.2	14.5	5.3	-	3.4	2.5	192.8
1982	26.2	18.9	23.8	9.6	9.7	8.3	-	3.0	0.6	242.4
1983	33.2	16.7	13.0	14.9	8.8	5.8	1.5	4.5	1.6	250.2
1984	26.2	16.0	10.5	13.2	6.4	14.0	5.0	7.9	1.2	361.7
1985	17.1	14.0	6.2	18.3	5.7	5.3	11.4	2.6	4.4	406.0
1986	15.8	13.2	11.4	13.6	11.7	11.6	11.7	6.6	0.6	376.9
1987	29.4	19.5	2.6	10.1	12.2	7.5	11.4	5.8	0.4	252.3
Total allocation	645.9	413.5	360.2	355.8	278.7	217.4	141.3	116.6	38.9	2646.3
%	24.4	15.6	13.6	13.4	10.1	8.2	5.5	4.4	1.5	100



The regional pattern of spending can also be examined in terms of the "need" of regions for such financial assistance. On one level, because the Fund is directed only to the designated assisted areas it is clearly going to those areas which the UK Government at least considers to be "in need". However, the question should be asked whether aid is directed to the most needy areas.

The most common measure of need is unemployment and this is the basis on which assisted areas in the UK are formally designated. Table 4.1 shows unemployment rates and numbers of people unemployed in the assisted parts of the various regions and compares these measures with the allocation of the ERDF on a per unemployed person basis. These figures illustrate the difficulty of measuring relative need. The highest rates of unemployment do not necessarily coincide with the largest number of unemployed persons. In the assisted areas of the North West region, for example, about 320,000 people were unemployed in October 1986 yet the 16% overall rate of unemployment was less than many other assisted areas. Furthermore, in South West England the designated Development Areas had a combined unemployment rate of 21.6% yet the assisted areas as a whole had only about 41,000 unemployed people. On the per unemployed person basis, South West England and the East Midlands score particularly well. The relatively small numbers of unemployed in these assisted areas compared with other regions has a major effect on the figures. These points illustrate that the measurement of relative "need" can in practice be very problematic. Moreover, this poses difficulties for assessing whether the ERDF is achieving its

objectives.

Northern Ireland is, by all standard measures, the neediest region in the UK. The Province's unemployment rate was 22.4% in October 1986, the highest in the UK and one of the highest in the Community. In fact in some places unemployment was as high as 38% (Employment Gazette, December 1986). Furthermore, Northern Ireland scores poorly on the Community's Synthetic Index of regional problems, which places it 33rd worst out of 160 regions (Commission, 1987b). Moreover, the Structural Fund reforms of 1988 include the whole of Ireland, including the North, in its list of most seriously underdeveloped areas, putting the province on a par with Portugal, Greece, the Republic of Ireland, Southern Italy, and much of Spain.

Despite these serious economic problems and the commitment of the Community to provide assistance, together with the other serious social and political problems faced by the Province, Northern Ireland is only the fifth largest beneficiary region in the UK. On a per person in assisted area basis its allocation is exceeded by Scotland and the East Midlands and is almost matched by South West England. Furthermore, according to the per unemployed person measure Northern Ireland is only the fifth largest recipient. Nevertheless, according to a representative of the Northern Ireland Office at the 1988 House of Lords enquiry, the ERDF is currently providing about £40 million per year out of total expenditure in the province on roads, water and industrial infrastructure of about £250 million per annum (House of Lords, 1988).

However, in some respects this analysis is spurious.

Because the Government applies additionality at the "global" (national) level, any aid attracted by Northern Ireland (and Scotland and Wales) is paid initially to the UK Treasury. These receipts are only one of a number of factors which the Government then considers when determining overall levels of public expenditure in the province. Thus, ERDF assistance won by Northern Ireland contributes only indirectly to economic development in the province. As usual the Government argues that the ERDF receipts are taken into account when setting overall levels of public expenditure and levels of spending in Northern Ireland are greater than would otherwise be possible.

The application of additionality at the national level in this way means that levels of ERDF receipts are intimately related to the wider issue of the high level of public subsidy allocated to Northern Ireland from the rest of the UK. From the point of view of isolating the Community's regional development efforts and measuring their effectiveness, this is a very unsatisfactory state of affairs. Moreover, it illustrates how closely national government can control the operation of the ERDF and use it to support national levels of spending rather than explicitly to promote regional development.

As far as the other regions of Great Britain are concerned it is again difficult to come to firm conclusions as to whether ERDF spending has been directed to the neediest areas. The arguments above apply to the English, Scottish and Welsh regions, as well as to Northern Ireland; the ERDF is used by the Government as a resource for subsidising national expenditure. However, unlike



Northern Ireland where the bulk of ERDF grants are nominally allocated to the Northern Ireland Office (a central government department), some benefits are felt at the local level in the rest of the UK where local authorities and others are more involved in providing economic infrastructure. As has already been shown, local authorities are able to substitute ERDF grants for loans they would otherwise have to take out. Because there are clear benefits for those applying for ERDF aid in Great Britain, it is valid to ask whether the neediest areas have attracted the largest proportions of assistance.

In order to assess whether this has been the case, statistical correlation tests were carried out at the level of English and Welsh Counties and Scottish Regions between unemployment rates and both actual and per capita levels of ERDF receipts (as shown in Figures 4.1 and 4.2). In both cases the correlation co-efficient calculated were significant at the 99% confidence level. In other words, there is a statistical association between levels of ERDF receipts and unemployment at county level. Consequently, we can conclude that there is a relationship between "need" (as measured by unemployment) and ERDF receipts. However, it is also apparent that ERDF aid has been spread throughout a most of the UK. Although the changes in the map of assisted areas in 1984 has served to increase the geographical concentration of the Fund.

#### 4.2.3. The objective of a programme approach.

A number of NPCIs have been submitted and approved between 1985 and 1987 for areas in the UK. These are outlined in Table 4.3. In South West England two NPCIs have

been submitted to the European Commission, but at the time of writing no decision has yet been made in Brussels (August 1988). One of these Programmes concerns the Plymouth Travel to Work Area, the other is for the assisted areas of Cornwall. The Programmes both involve the County authorities, all the District Councils in the respective Programme areas as well as various public utilities and other organisations.

TABLE 4.3. THE NATIONAL PROGRAMMES OF COMMUNITY INTEREST AGREED FROM 1985 TO 1987 IN THE UK.

Area	Period of Programme	Total ERDF assistance Committed (£Million)
Schildon/Newton Aycliffe/ Bishop Auckland	1984-89	18.1
Mersey Basin	1984-87	66.7
Glasgow	1984-88	68.0
Tees Corridor	1984-87	18.8
Mid Glamorgan	1986-89	32.8
Tayside	1986-90	20.7
Northern Ireland (1)	1986-88	3.3
West Lothian	1986-90	26.7
Birmingham	1987-91	113.0
<b>Total</b>	<b>-</b>	<b>368.1</b>

Note. 1) The NPCI for Northern Ireland consists entirely of Article 15 measures and was devised by the Northern Ireland Office.

Source. Commission (1986f, 1988b); European Information Service, Dec 1987.

For the organisations involved in NPCIs there are a number of reasons why involvement in this type of programme submission is desirable and more advantageous than the previous individual project applications. Firstly, a successful programme application guarantees a flow of assistance from the Community to the organisations involved over a period of years. This increases the effectiveness of

forward planning in that organisations are assured of 50% assistance for individual projects within the programme well in advance. As a result, the ERDF may come to have a greater influence on the type of investment organisations are carrying out, rather than the simple financial windfall for already-committed projects that it has been in the past.

In financial terms, the Programme gives individual schemes wider eligibility criteria. In particular, when presented as part of a programme, there is no minimum level of funding for individual projects (this is otherwise currently set by the ERDF Regulation at 50,000 ECU - about £30,000). Moreover, it also gives the organisations involved certain cash-flow advantages. The local co-ordinating committee structure which manages the implementation of the programme enables money to be forwarded to an authority for a particular project at a much earlier stage than with individual project applications (interview with planning officer, Cornwall County Council).

The Commission views the programme approach as the way in which the ERDF can make its most effective contribution to regional development. Consequently, it is given priority in the allocation of ERDF assistance. Therefore, organisations can increase their chances of obtaining money from an ERDF which is oversubscribed. Furthermore, as the programme approach gathers momentum there will be less assistance available for individual project applications and the chances of obtaining money by this route will be increasingly problematic.

Although the advantages of the programme approach are considerable, there are nevertheless a number of problems



with which local authorities and other interested organisations will have to contend and which restrict its translation from policy aim into practice. These are firstly, restrictions imposed by central Government capital spending limits and, secondly, failure to implement the programme on schedule.

The perennial problem of government-imposed capital spending limits arises during the implementation of an NPCI. All the schemes funded within the programme must be accommodated, as with individual ERDF grants, within the expenditure limits set by the Department of Environment. Unfortunately, because these limits are set annually and local authorities cannot be certain how much money they will receive in future years, there is no guarantee that the money will be available to provide the authority's 50% contribution to projects due to be carried out in the later years of the programme. In those NPCIs which are already operating this has meant that authorities have been unable to implement parts of the programme and hence have been prevented from taking up all the ERDF assistance to which they are entitled (interview with DoE official in London). It is ironic that the government puts its name to an NPCI application and then fails to provide the resources necessary to implement the programme in full. Thus the Commission's aim of an innovative approach to regional development is hindered by national policies which effectively prevent local authorities from planning on anything but a year-by-year basis.

On the other hand, the blame for the failure of authorities to implement the NPCIs at the speed envisaged

does not rest entirely with the tightening of government spending limits. Projects do not always go ahead on schedule and others envisaged fail to materialise at all. However, delay and postponements may be less of a problem than anticipated since the Commission is unlikely to decommit money and consequently ERDF aid can be provided beyond the last year of the programme (interview with official of DG XVI at the Commission in Brussels).

The current research revealed, moreover, that the DoE has been ambivalent towards the vision cherished by the European Commission of a more extensive programme approach to Community regional assistance. The DoE officials interviewed recognised the Commission's commitment to this multi-annual, co-ordinated form of investment but did not share in the Commission's enthusiasm. The policy of the DoE has been neither actively to encourage nor to discourage local authorities from formulating NPCIs. Instead, the submission of NPCI applications has simply been left to the initiative of the local authorities themselves. If authorities choose to formulate such applications then the Department's regional offices and head office in London will provide the necessary assistance. However, they are careful to stress what they see as the disadvantages of applying for this kind of assistance. Firstly, the application process for NPCIs has in the early years of its existence been significantly more bureaucratic than the procedures for applying for individual projects because of the greater complexity of programmes. The Department had hoped that the Programme approach would become an easier route to ERDF assistance and would reduce administrative demands on the



DoE. However, it has become apparent that substantially increased effort is required to obtain finance in the first place. Furthermore, the allocation of this money by means of a programme co-ordinating committee chaired by the DoE further increases the effort required. In the words of one DoE official, the project route to Fund assistance was "tried and tested" whereas the new programme approach represented "a lot of work for no extra money" (interviews with officials of DoE in Bristol and London).

For the European Commission the programme approach will mean a welcome reduction in the heavy workload associated with the current project approach of the ERDF since it will no longer have to examine large numbers of individual submissions. Furthermore, programmes are a more efficient means of dispensing Community funds. However, less certain is the overall effect of the new approach on regional development in the Community's problem regions. Government control of local authority spending levels, of the delimitation of areas eligible for ERDF aid and of the implementation of programmes conspire to reduce the effectiveness of the ERDF as an agent of regional policy.

#### 4.2.4. The aim of encouraging "internally generated development".

The implementation of this objective has been very slow to develop. At the time of writing only three Article 15 measures have been approved in the UK (European Information Service, No 86). Two of these grants were part of NPCI submissions for Shildon and Northern Ireland. The third was for the Strathclyde Business Innovation Centre which aims to help businesses put new ideas into practice



and was accepted in November 1987. The slow beginning for these measures in the UK is a result of action taken by the UK Treasury which has blocked almost all applications for Article 15 measures. The reason for this is related to the familiar theme of controlling public expenditure. The Treasury was concerned to prevent the ERDF assistance for these schemes (which involve on-going revenue expenditure rather than one-off capital spending) leading to an increase in overall levels of local government spending which would be beyond the control of central government.

Once again this illustrates the grip held by central government over the implementation of the ERDF. Despite the commitment to these kinds of measures in the Council Regulation governing the Fund. However, in December 1987 the UK Treasury announced that it would now allow Article 15 applications to be forwarded to the Commission (European Information Service, January 1988). This decision followed increasing pressure on the Treasury from local-authority organisations, the Department of the Environment and the European Commission (interview with official of the DoE). This decision may also be related to the problems the UK was experiencing in 1987 in generating enough applications to meet its minimum quota from the ERDF.

#### 4.3. THE ROLE OF THE UK GOVERNMENT.

The administration of ERDF grants in the UK is not the responsibility of a single central government Department. Instead, a number of branches of government are involved. These are illustrated by Figure 4.4 which shows the ERDF's "implementation structure" in the UK. Interviews

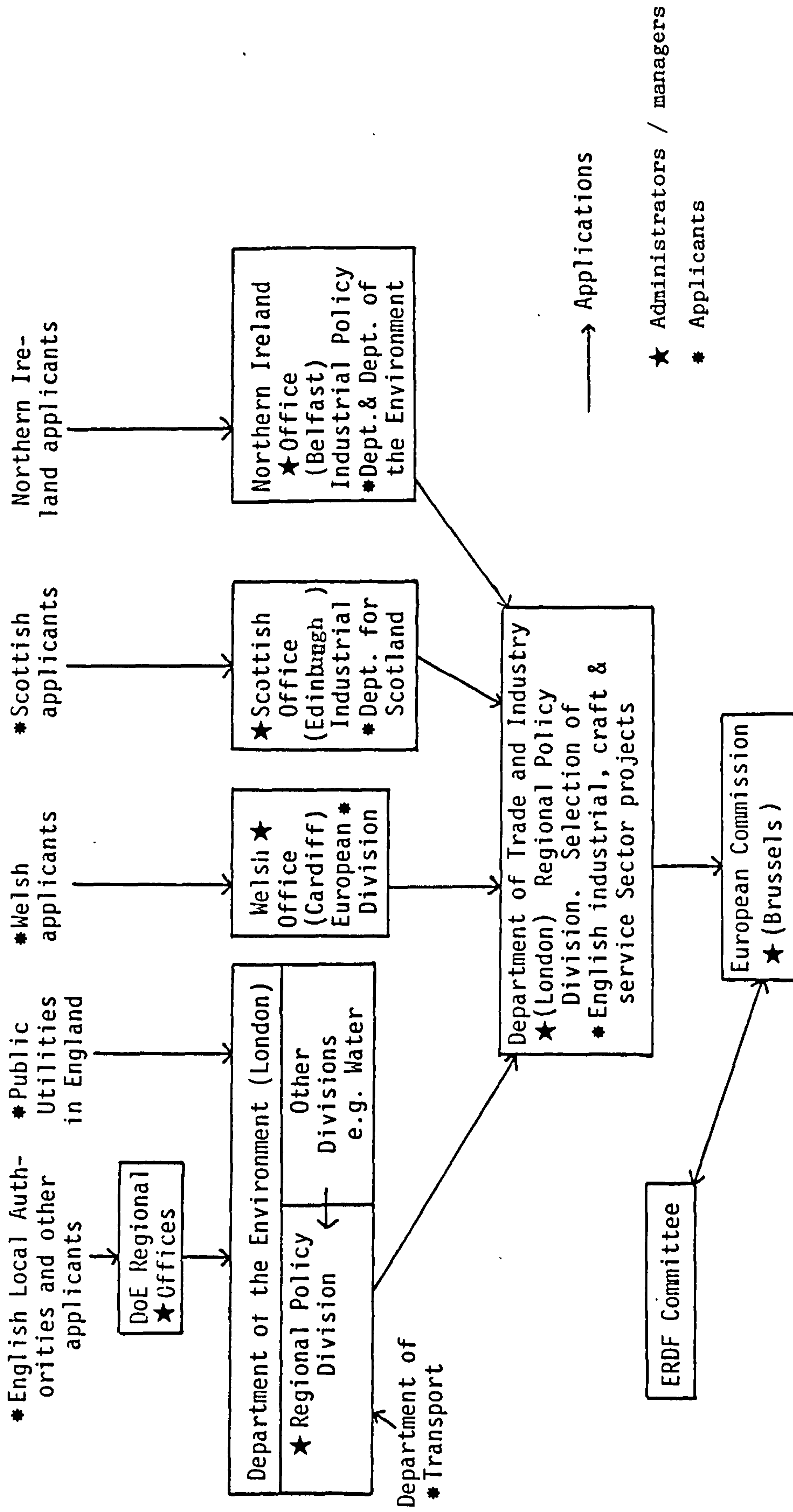


FIGURE 4.4. THE IMPLEMENTATION STRUCTURE OF THE EUROPEAN REGIONAL DEVELOPMENT FUND IN THE UK.

were carried out in the Department of Environment offices in Bristol and London and in the Department of Trade and Industry office in London. Because the focus of this study was on South West England it was not thought necessary to carry out interviews in other regional offices or in the Welsh, Scottish or Northern Ireland offices. However, some information on the activities of these departments has been gleaned from secondary sources.

#### 4.3.1. The role of the DoE regional offices.

The regional offices of the DoE deal with ERDF applications from local authorities and a variety of other organisations. Applications from public authorities such as the Water and Port authorities, on the other hand, are sent to the relevant sections of the DoE in London. The Bristol regional office's involvement with ERDF applications, which must be assumed to be typical, is in three stages. The first is the provision of advice for and consultation with potential applicants. The second stage is the initial examination of applications.

##### a) Advice and consultation.

The earliest involvement of the DoE regional office with applications for ERDF grants is in the provision of advice and assistance for organisations which show an interest in the ERDF. Regional offices respond to enquiries by issuing a package of information and "Notes for Guidance". This package includes background information on the fund, advice on eligible applications and on how to complete the application forms. The regional offices also provide advice on the likely eligibility of particular projects about which local authorities and other



organisations may enquire.

The regional office does not seek to publicise the ERDF to a wider range of possible beneficiaries. The significance of this is not clear. Preston (1985, 1986), writing about the Leeds office of the DoE, suggested that the lack of positive encouragement before 1982 for local authorities in applying for assistance was understandable since "nationwide bids for grant aid outstripped supply by about 500%". However, Preston then points out that "by 1983 the Leeds Regional Office accepted that one of its roles was to positively encourage local authorities to apply for grant-aid" (Preston, 1985, p27). This new attitude was partly due to the first reduction in 1982 of the extent of assisted areas in the Yorkshire and Humberside region and in the country as a whole. Further amendments to the assisted area map in 1984 and continuing restrictions on local-government spending have meant that demand for ERDF assistance is now barely keeping up with supply. Regional Offices must now begin to adopt a more missionary attitude towards promoting the ERDF if the UK is to maximise its receipts. The Bristol regional office regards increasing the range of organisations that apply for ERDF aid as a priority, since it is likely that local authorities are now submitting as many applications as possible. (interview with official in Bristol office of DoE).

b) Initial examination of applications.

Having helped potential applicants determine the eligibility of particular projects, the second task of the DoE regional office is to provide an initial examination of submitted applications. This process is in three stages.

The first is to examine the basic eligibility criteria. The second is to assess the compatibility of projects with the UK Regional Development Programme and the third is to assess the economic justification of the applications.

The ERDF's basic eligibility criteria are laid down in the Council Regulation governing the operation of the Fund and in the majority of cases, eligibility is not difficult to determine, particularly as failure to meet any one criterion disqualifies an application from receiving assistance. However, in cases which are marginal the regional office will forward the project directly to London for a decision to be made. Large projects seeking more than £1 Million from the ERDF are automatically forwarded to London and the role of the regional office in these cases is minimal

The second stage is to verify that submitted schemes correspond to the objectives of the UK's Regional Development Programme (RDP). This document sets the framework within which ERDF activity is intended to take place and is constantly used when projects are being examined. The regional office aims to ensure that the relationships between particular projects and the aims of the RDP are clearly stated in the application (interview with official of DoE in Bristol).

The third element of the assessment of applications carried out by the regional office is to ensure that the crucial "economic justification" section of the application form provides the information required on economic impact, job creation and so on, which the European Commission will eventually use to judge the projects' "Community interest"

and thereby to make decisions on the award of assistance to individual applications.

The autonomy of the regional office has increased significantly in recent years. Before about 1984 its role was simply as a source of information about the Fund and a "post-box" for applications en-route to the head office of the DoE in London. Since then, it effectively makes the final decisions on whether to forward small ERDF applications to Brussels.

On average around 80% of submitted schemes require changes following the initial scrutiny (interview with official of DoE in Bristol). These enquiries are the result of the very variable quality of applications. The larger local authorities generally submit the applications which require least amendment. The smaller organisations, on the other hand, which lack the experience which comes from submitting large numbers of applications, are less expert at putting applications together and hence these schemes require more information and more amendment (interview in regional office in Bristol).

#### 4.3.2. The Role of the London Office of the DoE.

The Department of Environment's main office in Marsham Street, London is the co-ordinating department for all ERDF applications emanating from the English regions. Applications from Scotland, Wales and Northern Ireland are handled by the Scottish, Welsh and Northern Irish offices respectively. At the DoE in London responsibility for ERDF applications rests with a section in the Department's Regional Policy Division (RPD). The participation of the DoE's London Office is in three stages:



- a. arrival of applications;
- b. checking of basic eligibility criteria;
- c. taking the final decision to forward applications to Brussels;

a) Arrival of applications.

Potential applications arrive at the RPD from three sources. Firstly they are forwarded by the regional offices. Secondly, they are submitted by other divisions of the DoE which handle applications from public utilities. For example, the Water Division handles applications from Water Authorities and the Ports Division deals initially with schemes from Port Authorities. The third source of applications is the Department of Transport which has received a number of large grants in recent years for major Trunk roads.

b) Checking the basic eligibility criteria.

The first task of the RPD once the applications have arrived from these various sources is to ensure that the projects meet the formal eligibility criteria. This task is normally a checking of the work already carried out by the regional offices and the other sections of the DoE. At this stage only a small proportion of applications are referred back to the regions. This process results in some re-drafting of applications after extra information has been extracted from the applicant organisation.

c) The final decision to forward applications to Brussels.

The final decision to forward applications to Brussels is based on the eligibility criteria alone and the Department forwards all projects which it considers meet these criteria (interview with official of DoE in London) The major role of the DoE is to maximise the country's

receipts from the ERDF and therefore it is in the department's interests to submit all applications which stand a chance of being funded. Nevertheless, complaints are occasionally heard from local authorities, albeit in a somewhat anecdotal fashion, that the major obstacle to winning a grant is the DoE rather than the Commission in Brussels. It is however difficult to judge the validity of these complaints or to imagine why the DoE would be deliberately obstructive given the need to maximise ERDF receipts. Indeed, Commission officials in Brussels remark, again based on experience and impressions rather than statistical evidence, that the quality of applications received from the DoE is of a generally higher standard than those received from other member states (interview with official of DGXVI in Brussels).

The DoE's task of maximising ERDF receipts is becoming increasingly difficult in view of increasing constraints on local-government capital spending. The Government's interpretation of the principle of additionality means that local authorities can only submit schemes which they have planned to carry out in any case. Consequently, further reductions in capital expenditure have resulted in a 10% drop in the number of local authority applications between 1985 and 1986 (interview with official of DoE). This meant that in 1986 the UK barely reached its minimum level of assistance guaranteed by the indicative range system for dividing up ERDF assistance. In response to this, the DoE relaxed a previous rule that all ERDF applications must be fully guaranteed to go ahead before they can be forwarded to Brussels. Furthermore,

privatisation and the abolition of the Metropolitan County Councils, which were major recipients, have also reduced the UK's take up of ERDF grant-aid. The need to maintain ERDF receipts may also explain why the 1988 Government white paper on regional policy reform did not reduce the extent of the assisted area map to which ERDF assistance is tied. These points illustrate how the implementation of a Community policy is inextricably linked to national government policies.

#### 4.3.3. The role of the Offices for Scotland, Wales and Northern Ireland.

The Department of the Environment and the Department of Trade and Industry in London have responsibility for ERDF applications from English regions only. Schemes submitted from Scotland, Wales and Northern Ireland are dealt with by the government departments representing these countries based in Edinburgh, Cardiff and Belfast respectively. These offices forward applications to the DTI en-route to Brussels.

These three offices have two functions. The first is to select applications for industrial, craft and service sector projects from those schemes which already receive national regional aid. In Scotland, the Industrial Department for Scotland (part of the Scottish Office) performs this task. In Wales it is the responsibility of the Industrial Policy and Development Division of the Welsh Office and in Northern Ireland the Department of Industry for Northern Ireland is responsible.

The second role of these offices is to administer Scottish, Welsh and Irish applications for infrastructure



projects. The three offices act as the major source of information and advice for potential ERDF applicants. Each provides periodic documentary information similar to the "Notes for Guidance" produced by the DoE in London. The industrial Department for Scotland, for example, is praised as being particularly helpful in this way (Keating and Waters, 1985; Aitken, 1986a), as is the European Division of the Welsh Office (Jones, 1985). Applicants from Scotland, Wales and Northern Ireland are potentially favoured in relation to regions like South West England, because of their more direct contact with central government through their respective offices. For example, one purpose of these offices is to lobby on behalf of Scottish, Welsh and Irish issues. Indeed, the respective Secretaries of State for the three countries have seats in the Cabinet. Moreover, the three are also occasionally represented on the UK delegation to the ERDF Committee. Hence, ERDF applicants from Scotland, Wales and Northern Ireland may have an advantage over English counterparts who are in contact only with regional offices of the DoE (McGee, 1983; Keating and Waters, 1985; Jones, 1985).

Apart from providing advice on and scrutinising applications from local authorities and other organisations, the three offices are also involved in submitting their own ERDF applications, particularly in Northern Ireland where responsibility for infrastructure provision rests with the Department for Economic Development rather than local authorities and public utilities. Furthermore, the Scottish Development Department submits applications for its trunk road scheme in the same way as the Department of Transport

in England. Again the question of "additionality" can be raised in this context. Keating and Waters point out that "in the case of grants awarded to the Scottish Office itself the money stays in the [UK] Treasury and is deducted from the Secretary of State's block allocation" (Keating and Waters, 1985, p75). from central government. The Government adopts the now familiar position that likely ERDF grants are taken into account and allow the Scottish Office and others' spending allocations from national government to be higher than would otherwise be possible.

#### 4.3.4. The role of the Department of Trade and Industry.

The Department of Trade and Industry's (DTI) role in administering UK applications to the ERDF for infrastructure projects is marginal. It acts as a "postbox" for applications forwarded by the DoE, Welsh, Scottish and Northern Ireland Offices and it has no influence over the submission of these applications (House of Lords, 1988). However, the DTI is closely involved with a number of other aspects of the UK's involvement with the ERDF. These are:

- a. submitting applications for industrial, craft and service sector projects;
- b. involvement with programmes, Integrated Development Operations and Article 15 measures;
- c. negotiations with the Commission and participation on the ERDF Committee.

#### a) Industrial, craft and service sector applications.

The DTI's main involvement with ERDF applications is with English industrial, craft and service sector projects. The private companies which are nominally the recipients of these grants are not themselves involved in applying for ERDF assistance. Instead, the DTI selects those applications for national regional aid (Regional Development

Grants and Regional Selective Assistance) which are likely to conform to the ERDF Regulation and makes the appropriate applications to forward to the Commission. As we have seen, the DTI argues that the resulting receipts from the ERDF enable it to increase its regional aid budget above the level that would otherwise be possible.

In the UK since 1975, 22.4% of ERDF receipts have been for these industrial projects. However, this proportion has fallen to approximately 15.5% in 1985 and 1986. The proposed changes to regional aid put forward in the 1988 White Paper on regional policy may restrict the DTI's ability to submit these kinds of applications since they will no longer be able to make use of the mandatory Regional Development Grants which are to be abolished. The discretionary "Selective Assistance" will still be eligible for aid, but the total volume of eligible projects may fall (interview with official of Department of Trade and Industry). This will serve to exacerbate the serious difficulties the Government is having in maximising its ERDF applications.

b) Involvement with programmes, Integrated Development Operations and Article 15.

The DTI is also concerned with preparing the UK's response to the Community Programmes which were devised by the Commission under the new ERDF Regulation and approved by the Council of Ministers in 1987 (STAR and VALOREN). Furthermore, the Department also participates in the development of NPCIs and Integrated Development Operations. However, the degree of involvement depends on the contribution to these schemes of industrial measures such as



aid schemes to industry (Article 15) as opposed to infrastructure projects, the responsibility for which rests with the DoE.

The DTI also participates in more strategic, long-term issues of Community regional policy. It has the major responsibility in conjunction with local authorities, the regional office of the DoE and other public organisations for preparing the UK's Regional Development Programme which is forwarded to the Commission every four years, forming the basis of ERDF investment in the UK (Department of Trade and Industry, RDP, 1986-90).

c) Negotiations with the Commission and participation on the ERDF Committee.

Although the DTI is peripheral to the process of preparing applications for infrastructure projects and programmes, it nevertheless acts as the lead Department for the whole of the UK in negotiations with the Commission. These discussions concern both the long-term development of EC regional policy and the eligibility of large applications such as NPCIs and Integrated Operations. In these cases, officials of the Department actually responsible for submitting the applications (e.g. DoE, Northern Ireland or Scottish Office) will also be represented. These negotiations take place either in direct meetings between national civil servants and Commission officials, or in the more formal setting of the ERDF Committee. The negotiation process enables UK representatives to argue the case for particular schemes. Inevitably, compromise decisions are reached which mean that programmes reflect both ideas suggested by the Commission and the views of the national

departments. In this way, national representatives are closely involved in the allocation of Community grants. The decision-making process is not a strict hierarchy from national applicants to Community decision-makers. On the contrary, in many respects the allocation of grants (to large schemes in particular) is a process based on co-operation and consensus between Commission and national representatives.

#### 4.4. CONCLUSIONS: NATIONAL GOVERNMENT CONTROL AND INFLUENCE.

This chapter has continued the theme of how policy makers (in this case the UK central government) can structure and control the implementation process. We have seen that, as far as the ERDF is concerned, the government in the UK has a pivotal role in the process of putting policy into effect. By its involvement in the submission of applications and in the payment of assistance the government is able to use the ERDF to subsidise expenditure already being carried out at national level. Of course, the government argues that ERDF assistance is indeed adding to public expenditure in problem regions. Unfortunately, we must take their word for it since no empirical evidence exists to resolve the matter either way. Nevertheless, we can be more certain that the government view of the ERDF is that it is a means of winning back a share of what it perceives to be an excessive contribution to the overall Community budget. It appears that the UK government's major objective as far as the ERDF is concerned has little to do with the aims of regional policy and those cherished by the European Commission.

Apart from control over the financial aspects of ERDF aid, central-government authority over the process of policy implementation is also evident in other ways. Firstly, before the 1984 reforms there was some evidence that the Department of Trade and Industry was able to control very closely the geographical pattern of ERDF spending in the UK, albeit empirical evidence was not conclusive. Nevertheless, the existing quota system clearly provided a mechanism by which it could have controlled the allocation of assistance in this way. Furthermore, continuing close participation in the ERDF's decision-making processes has allowed the Government to block the submission of Article 15 applications and thus hinder the implementation of a Community objective. In addition, national civil servants are closely involved in negotiations with the Commission about the eligibility of schemes submitted by the UK, enabling compromise deals to be struck which take account of both national interests as defined by government and the aims pursued by the Commission.

Until this point the thesis has concentrated on the "top-down" aspects of the policy-implementation process. It has focused on how policy makers (the European Commission and the UK government) can influence the implementation process in order to further what they perceive as the aims of the Fund. These perceptions, it should be emphasised, are often very different. The following Chapter provides a more "bottom-up" perspective on the operation of the ERDF by focusing on the viewpoint of the applicants for and recipients of Fund assistance in South West England. Despite the control exerted by central government and the



Commission, local initiative may also play an important role in putting policy into practice. After all, no ERDF grants can be allocated unless they are first applied for. Thus it is necessary to examine closely the factors which lead organisations in problem regions to apply for the available assistance.

CHAPTER 5. THE IMPLEMENTATION OF THE ERDF IN THE UNITED KINGDOM: A CASE-STUDY OF LOCAL INITIATIVE IN SOUTH WEST ENGLAND.

5.1 INTRODUCTION.

This Chapter provides a case-study of the involvement with the ERDF of organisations in South West England and is based on a series of interviews carried out with representatives of organisations which have received Regional Fund assistance and on data on the allocation of ERDF grants provided by the Department of the Environment. The analysis concerns only ERDF grants for infrastructure projects because it is only in these cases that applications are initiated by the beneficiaries themselves. As was shown earlier, applications for industrial, craft and service sector projects are formulated by the Department of Trade and Industry from applications for national regional aid. In the South West, receipts for infrastructure projects account for 94% of the total assistance earmarked for the region since 1975.

The discussion is divided into three sections. The first outlines the nature and geography of ERDF assistance in the South West and assesses whether the Funds' operational objectives are achieved in the region. The second examines the recipients of grant-aid. The final section analyses the factors which explain varying organisational involvement with the ERDF.

At this juncture it is appropriate to provide some background on the economic geography of the South West in order to place the discussion in its overall context. The South West is one of eleven standard UK regions. It

comprises the counties of Gloucestershire, Wiltshire, Avon, Somerset, Dorset, Devon and Cornwall (Figure 5.1). The latter two are sometimes referred to as the "far South West".

The region as a whole can be regarded as relatively prosperous. Table 5.1 places the South West in its national context and it is apparent that unemployment is relatively low and that mean household income is similar to the UK average. In terms of per capita GDP, the region ranks sixth out of eleven UK regions. However, as far as unemployment is concerned the South West region in 1986 had the third lowest rate in the country. According to the data on household income the South West again compares favourably, ranking second out of all UK regions.

TABLE 5.1. THE SOUTH WEST ECONOMY IN THE NATIONAL CONTEXT.

Region	GDP per head(1985)	Unemployment October 1986 %	Average weekly (£) household income 83/84
South East	114.8	9.5	230.7
East Anglia	100.8	10.1	181.0
Scotland	97.3	15.6	176.0
North West	96.0	15.5	177.7
East Midlands	95.7	12.2	188.3
South West	93.8	11.6	191.0
North	92.9	18.0	163.8
West Midlands	92.3	15.0	180.1
Yorks & Humb.	91.8	15.1	167.9
Wales	88.8	16.1	164.8
N. Ireland	74.8	22.4	153.0
United Kingdom	100.0	13.1	191.9

Source: Regional Trends, 1987; Employment Gazette, Dec. 1986.

The relative prosperity of the South West region as a whole hides the fact that there are very substantial intraregional variations in economic welfare. Most



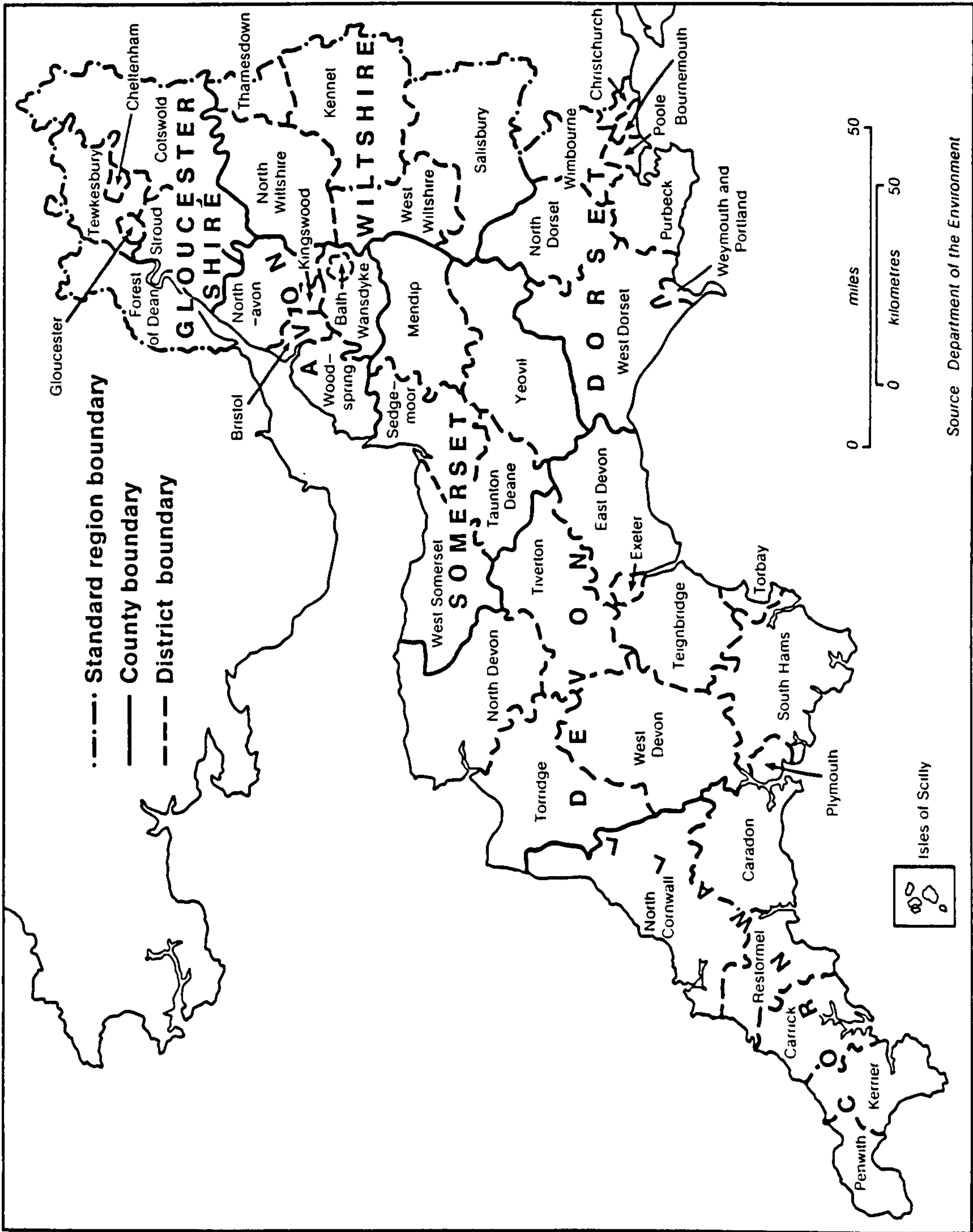


FIGURE 5.1 MAP OF SOUTH WEST ENGLAND SHOWING LOCAL AUTHORITIES.

indicators point to a relatively prosperous northern and eastern part of the region and a much more depressed "far South West". Table 5.2 provides a number of measures of the disparities between the counties which make up the South West region. It is immediately apparent that Cornwall and Devon suffer in comparison with the rest of region. The "far South West", (Cornwall in particular), has lower average earnings, much higher unemployment, lower GDP per capita and, according to Gripaios (1987), lower rates of new firm formation than the counties in the eastern part of the region.

These indicators suggest that there is a dual economy in the Region. In the relatively prosperous "near South West", comprising Avon, Gloucestershire, Wiltshire, Dorset and Somerset, economic development is fuelled by high-grade defence expenditure, the growth of services and hi-tech industries centred on Bristol and the so-called "M4 corridor" in Wiltshire. This area is related economically to the prosperous South East and to South Wales and the Midlands. On the other hand, the "far South West", comprising Devon and Cornwall, has lower wage levels, relatively high unemployment and inadequate economic infrastructure (DTI, Regional Development Programme, 1986-90). This area is peripheral to the national and European economy and has never developed a strong industrial base. It is dependent on small firms, tourism, agriculture and public services. Moreover, Cornwall suffers from particularly severe economic problems because of remoteness, poor infrastructure and the decline of industries such as tin mining.

TABLE 5.2. SUB-REGIONAL VARIATIONS IN SOCIO-ECONOMIC WELFARE IN SOUTH WEST ENGLAND.

County	Average gross weekly earnings (full time male)	Unemployment January 1987 %	GDP per capita 1981
Avon	107.5	10.8	109.9
Gloucestershire	102.3	9.1	108.3
Wiltshire	101.5	9.9	104.8
Dorset	100.7	11.4	95.6
Somerset	96.0	10.8	98.9
Cornwall	87.7	20.0	81.9
Devon	93.5	13.9	94.7
South West	100.0	12.0	100.0

Sources: Regional Trends, 1987; Department of Trade and Industry, UK Regional Development Programme 1986-90.

The economic disparities affecting this part of the South West region are recognised by the UK Government on the map of assisted areas designated for the purposes of national and Community regional aid by the Department of Trade and Industry. (Figure 5.2). Nonetheless, in common with other parts of the country the South West has witnessed a reduction in assisted areas since 1979.

In Cornwall, unemployment reached 20% in October 1986, averaging 21.6% in the Development Areas and 15.2% in the Intermediate Areas (see Figure 5.2). The county is relatively sparsely populated and heavily dependent on Plymouth in West Devon, the major city in the "far South West". However, in Plymouth itself it is estimated that the privatisation of the Royal Naval Dockyard, the City's major employer, will eventually lead to the loss of 2000 jobs. This will have far-reaching effects on the Plymouth sub-region and on the assisted areas of east Cornwall (DTI, RDP 1986-90).

The South West section of the UK's Regional





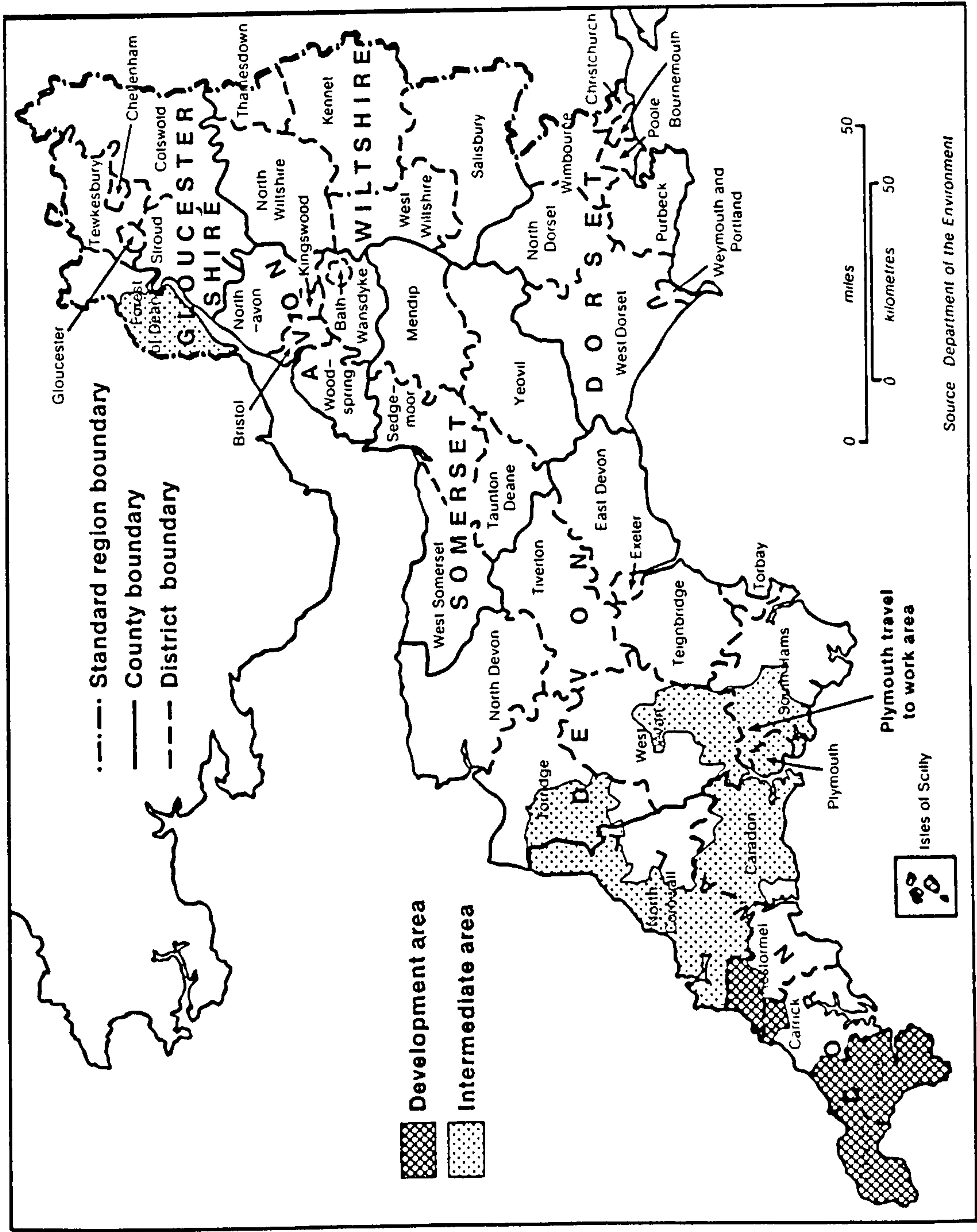


FIGURE 5.2.b) THE CHANGING MAP OF ASSISTED AREAS SOUTH WEST ENGLAND: 1984-PRESENT.



Development Programme for the period from 1986 to 1990 which was submitted to the Commission as the basis for ERDF support in the region, identified lack of infrastructure as a major economic problem. In particular, the assisted areas lack sufficient serviced industrial land with which to attract new firms into the area. Moreover, the assisted areas are deficient in terms of a road network suitable for increased economic growth and adequate water services for industrial development.

#### 5.2. THE NATURE AND GEOGRAPHY OF ERDF SPENDING IN SOUTH WEST ENGLAND.

Over the 1975 to 1987 period the ERDF channelled grants for infrastructure projects into South West England totalling £107.4 Million. Table 5.3 shows the historical development of South West England's involvement with the ERDF. The Table and Figure illustrate that the region's activity has increased substantially in both actual terms and as a proportion of the UK total. Between 1975 and 1980 the South West's share of total ERDF receipts averaged 1.9% compared with 4.8% between 1981 and 1987.

The distribution of ERDF assistance is shown by Figures 5.3 and 5.4 which illustrate for each district the total and per capita allocations respectively. The data refer to overall ERDF expenditure in each area and not just to that received by the local authorities themselves. The largest proportion of ERDF assistance for infrastructure has been directed to Plymouth (Figure 5.3). Indeed, the city has received almost 45% of the region's total. This is not surprising given Plymouth's role as the major centre of population and economic activity in the assisted part



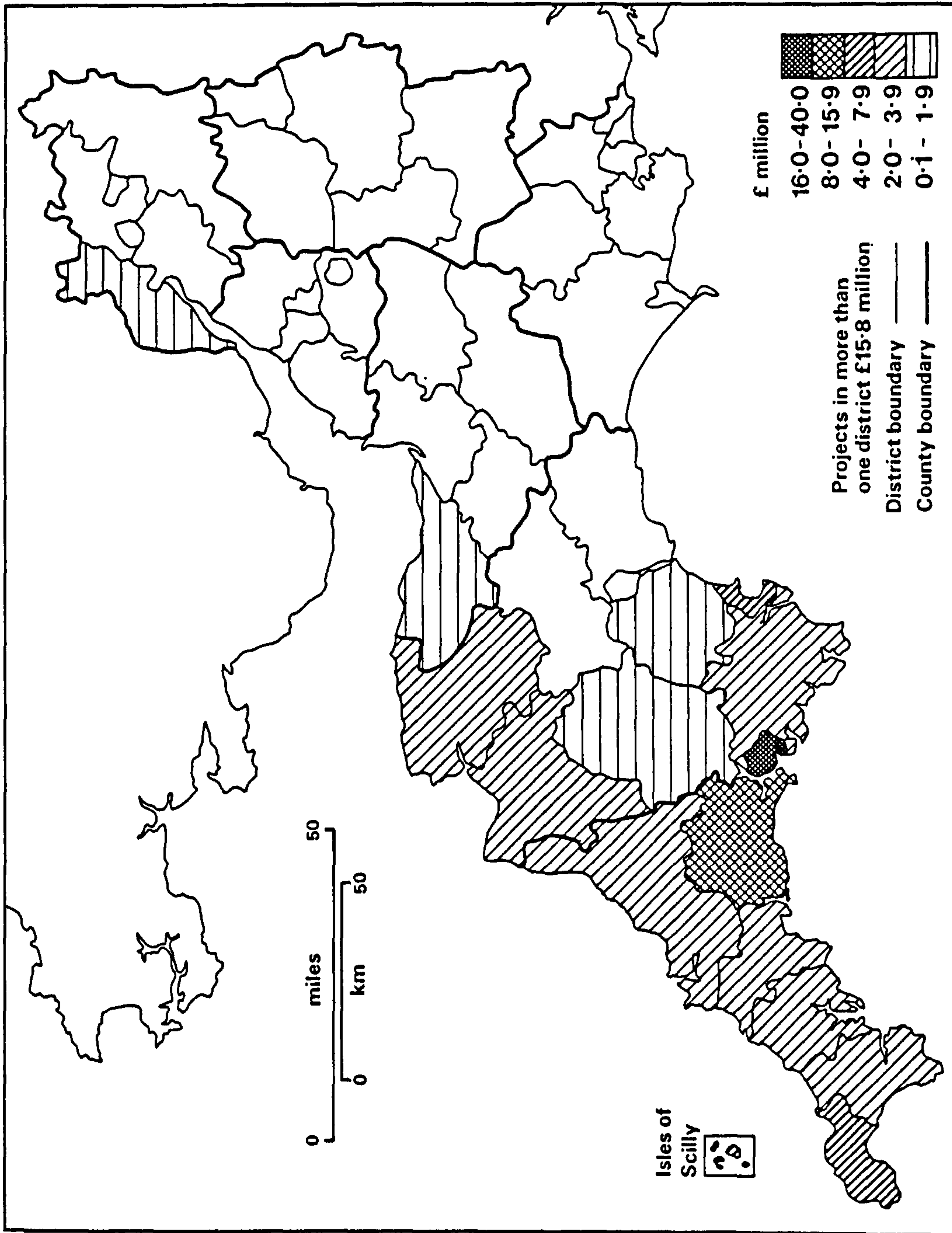


FIGURE 5.3. ALLOCATION OF ERDF TO DISTRICTS IN SOUTH WEST ENGLAND, 1975-1987.

of the region which enables it to generate, from a variety of organisations, a large number of grant applications. However, about a quarter of the City's receipts have been allocated to the A38 Parkway from Marsh Mills to the Tamar Bridge (50% funded by the Department of Transport) which is intended to allow easier access into Cornwall, particularly during the tourist season, and hence is of benefit to a far larger area than just Plymouth itself.

TABLE 5.3. THE DEVELOPMENT OF ERDF INVOLVEMENT IN SOUTH WEST ENGLAND, 1975-1987.

(excluding industrial, craft and Service sector projects)

Year	Number of Grants (1)	Value of (£000s) Commitments	% of UK total
1975	6	88.8	1.7
1976	6	232.5	1.4
1977	2	72.2	0.8
1978	12	4459.9	1.3
1979	10	5009.5	5.2
1980	13	5126.6	1.2
1981	9	1410.0	3.4
1982	32	6287.4	3.0
1983	24	11 002.6	4.5
1984	59	30 586.8	8.1
1985	33	12 821.8	2.7
1986	19	18 203.4	6.8
1987	12	12 114.5	5.8
<b>Totals</b>	<b>237</b>	<b>107 416.0</b>	<b>5.3</b>

Source: Data provided by the Department of the Environment.

The second largest proportion of grant aid has been directed to Caradon District which has received £14.9 million. However, the bulk of this money was allocated to two particularly large schemes which distort the figures somewhat. The Department of Transport was awarded £7.8 Million for the Saltash by-pass and the South West Water Authority (SWWA) has received a total of £4.81 Million for Colliford Reservoir, near Liskeard. In both these cases the

projects clearly serve more than just the districts in which they are located. The third largest recipient district is Penwith on the western tip of Cornwall which has been allocated approximately £7 million.

Both Torbay and the Isles of Scilly have received shares of assistance comparable to that of Penwith. In these cases large individual projects again distort the figures. The South Western Electricity Board was allocated a grant of £4.46 million for a new electricity cable link to the Isles of Scilly from the mainland. In Torbay, the local Borough Council obtained £3.16 million for the "Rose Tor" Conference Centre

The remainder of the ERDF aid to the region has been spread relatively evenly among all the assisted districts. Penwith, Kerrier, Carrick, North Cornwall, North Devon, Torridge, South Hams and Torbay have all received between £2 million and £4 million. Furthermore, about £5.8 million has been allocated to projects sponsored by organisations such as British Gas, British Telecom and Cornwall County Council which cover more than one district.

On a per capita basis (Figure 5.4) the picture is not greatly different. According to this measure the most successful district is the Isles of Scilly for which the figures are skewed by the islands' very small population. Otherwise, the largest beneficiary is Caradon, followed by Plymouth and, some way behind, Penwith. Of the other areas, Carrick, Restormel, Kerrier, North Cornwall, Torridge, North Devon, Torbay and South Hams have all received similar per capita shares.

The ERDF's objective of concentrating spending in the



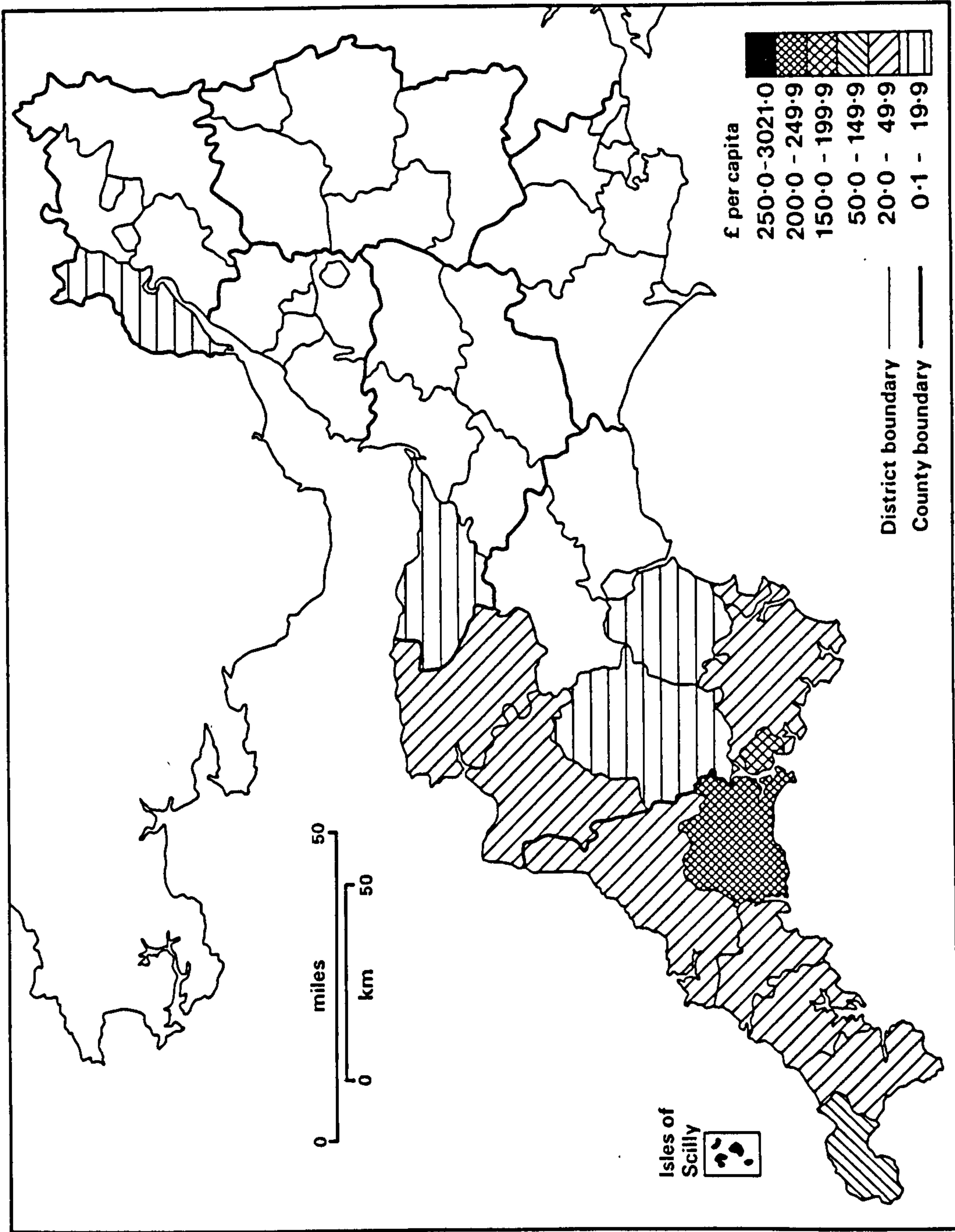


FIGURE 5.4. ALLOCATION OF ERDF PER CAPITA TO DISTRICTS IN SOUTH WEST ENGLAND, 1975-1987.

neediest areas can also be examined at this intra-regional level. One common measure of "need" is unemployment and, on this basis, it seems that at the sub-regional level ERDF spending is not being concentrated on the areas which are most in need. The areas with the highest unemployment in the South West are those designated as Development Areas (and Special Development Areas prior to the 1984 changes to the assisted area map - Figure 5.2). Moreover, these areas are also given priority by the ERDF Regulation. However, between 1985 and 1987, 22% of the region's ERDF grants were allocated to the Development Areas and 78% to the Intermediate Areas. In comparison, in 1986 more than 34% of the region's unemployed were located in Development areas and 66% in the Intermediate Areas (Employment Gazette, December 1986). On the other hand, Penwith, which has a comparatively high unemployment rate, (more than 21% in the Penzance and St. Ives Travel to Work Area in 1986), has received more assistance than all other districts in the region except Plymouth and Cornwall.

Notwithstanding the example of Penwith, the areas with the highest unemployment rates are receiving less assistance in both actual and per capita terms than areas such as Plymouth and East Cornwall where unemployment is less severe. One reason for this is that the implementation of the Fund and hence the achievement of its objectives is to a large extent dependent on the initiative of the areas themselves. If applications are not submitted for projects located in the development areas then no assistance can be directed there. However, this kind of micro-scale analysis is not necessarily very meaningful. For example, Caradon has

received a relatively large per capita allocation from the Fund, but this is due to the distorting effect of particularly large projects which often serve more than just the particular district in which they are located. For this reason, it is appropriate to consider in the next section variations in the response of individual organisations to the ERDF opportunity.

### 5.3. THE RECIPIENTS OF ERDF ASSISTANCE IN SOUTH WEST ENGLAND.

Table 5.4 shows the ERDF recipients in the South West and divides them up into the following four basic categories:

1. Public Utilities - £41.7 million (38.8%);
2. Local Authorities - £37.8 million (35.2%);
3. Department of Transport - £24.7 million (23.0%);
4. Other recipients - £3.4 million (3.0%);

#### 5.3.1. The Public Utilities.

The largest proportion of ERDF aid in the region has gone to the major public utilities. Table 5.5 and Figure 5.5 show the developing involvement of public utilities with the Fund. In the six year period from 1975 to 1980 only 11 grants were allocated to these organisations. In comparison, from 1981 to 1987 the same authorities received 49 grants totalling £31.41 million. This reflects both the increasing size of the Fund and a growing awareness on the part of the public utilities of its usefulness for assisting the capital investment schemes they are carrying out.

The South West Water Authority (SWWA) alone has received over £26 million and is the largest single ERDF recipient in the region. Water supplies are a vital aspect of infrastructure provision in a region which is



TABLE 5.4: ERDF RECIPIENTS IN SOUTH WEST ENGLAND,  
1975-1987.

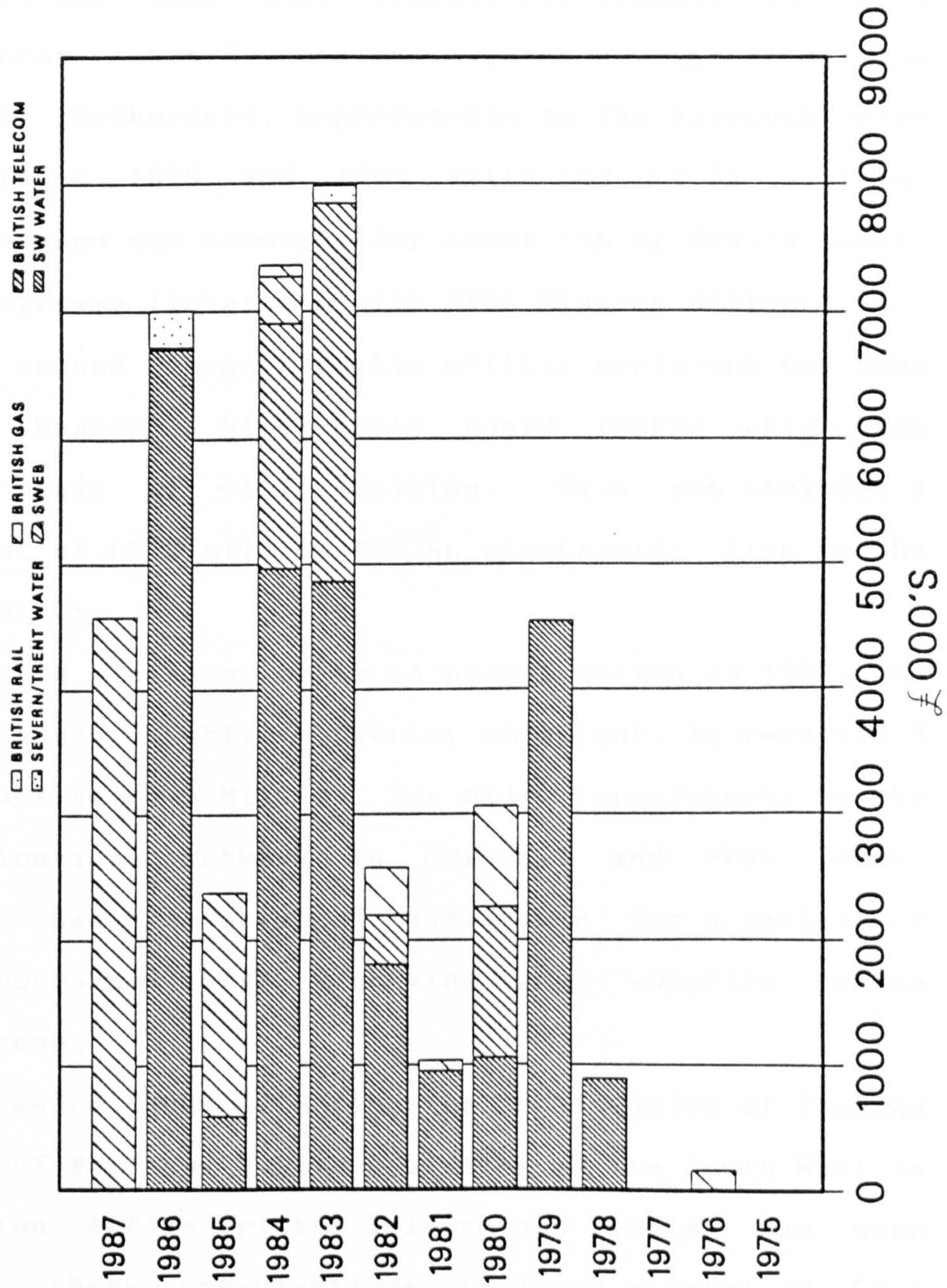
Organisation	no. of grants	Value of grants ( £ Million)	%
<b>Public Utilities</b>	<b>62</b>	<b>41.68</b>	<b>38.8</b>
South West Water Authority	35	26.45	
South Western Electricity Board	10	6.75	
British Telecom (pre- privatisation)	8	6.53	
British Gas (pre- privatisation)	7	1.52	
Severn Trent Water Authority	1	0.29	
British Railways Board	1	0.14	
<b>Local Authorities</b>	<b>156</b>	<b>37.78</b>	<b>35.2</b>
Cornwall County Council	39	11.08	
Devon County Council	39	10.75	
Plymouth City Council	14	7.72	
Torbay Borough Council	3	3.31	
South Hams District Council	9	2.15	
Penwith District Council	8	0.48	
Carrick District Council	7	0.48	
Torrige District Council	6	0.38	
Gloucestershire County Council	4	0.34	
Forest of Dean District Council	3	0.22	
Teignbridge District Council	3	0.20	
Restormel District Council	2	0.19	
Kerrier District Council	8	0.17	
North Cornwall District Council	5	0.17	
Council of Isles of Scilly	3	0.09	
Caradon District Council	1	0.02	
North Devon District Council	1	0.02	
West Somerset District Council	1	0.01	
<b>Department of Transport</b>	<b>6</b>	<b>24.67</b>	<b>23.0</b>
<b>Other recipients</b>	<b>12</b>	<b>3.27</b>	<b>3.0</b>
Associated British Ports	3	2.60	
Falmouth Docks and Eng. Co.	5	0.37	
Landmark Trust	1	0.18	
Falmouth Harbour Commissioners	1	0.07	
National Trust	1	0.04	
British Transport Docks Board	1	0.01	
<b>Totals</b>	<b>236</b>	<b>107.40</b>	<b>100.0</b>

Source: Data provided by the Department of the Environment



FIGURE 5.5.

THE DEVELOPMENT OF PUBLIC UTILITY INVOLVEMENT WITH THE ERDF IN SOUTH WEST ENGLAND: 1975-1987





characterised by a deficit of infrastructure for industrial development. SWWA has a comparatively large capital programme to improve water supplies and therefore has a relatively large variety of potentially eligible projects for which it can seek ERDF grants. For example, Colliford Reservoir, near Liskeard, received a total of £4.81 million in 1978/79. Furthermore, improvements to the Plymouth water supply between 1979 and 1986 attracted £7.94 million. Indeed, the Fund now accounts for about 10% of SWWA's annual capital Programme (interview with SWWA Finance Officer).

The second largest public utility recipient has been the South Western Electricity Board (SWEB) which has received a total of £6.75 million. This sum includes a single grant of £6.5 million for an electricity link to the Isles of Scilly.

British Telecom, prior to privatisation in 1985, was the next largest public-authority recipient. It received 8 grants totalling £6.5 Million for major improvements to the telecommunications network in Cornwall and West Devon. British Gas has also obtained assistance for a variety of projects concerned with improving gas supplies in the assisted areas.

The major issue affecting the continuation of funding from the ERDF for the Public Utilities in the South West is privatisation. Before British Telecom and British Gas were privatised, these organisations received a total of £8.1 million in the South West region. However, in the intervening period they have not received any grants from the ERDF anywhere in the country. The European Commission's position is that applications from privatised utilities will



TABLE 5.5. THE DEVELOPMENT OF PUBLIC UTILITY INVOLVEMENT WITH THE EUROPEAN REGIONAL DEVELOPMENT FUND, 1976-1987

Year	Public Utility (1)											
	SWWA		BT		SWEB		BG		STWA		BR	
	no.	£000	no.	£000	no.	£000	no.	£000	no.	£000	no.	£000
1976	-	-	-	-	-	-	1	165.0	-	-	-	-
1977	-	-	-	-	-	-	-	-	-	-	-	-
1978	2	892.5	-	-	-	-	-	-	-	-	-	-
1979	3	4542.1	-	-	-	-	-	-	-	-	-	-
1980	2	1059.2	2	1206.0	-	-	1	796.5	-	-	-	-
1981	3	952.5	-	-	-	-	1	84.6	-	-	-	-
1982	3	1802.1	2	395.4	-	-	3	380.4	-	-	-	-
1983	9	4858.6	2	2985.9	-	-	-	-	-	-	1	137.1
1984	6	4962.9	2	1943.4	4	368.9	1	88.5	-	-	-	-
1985	3	595.5	-	-	3	1784.0	-	-	-	-	-	-
1986	4	6706.0	-	-	1	19.0	-	-	1	285.5	-	-
1987	-	-	-	-	2	4579.0	-	-	-	-	-	-
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Total												
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Note. 1) Key to public utilities

SWWA - South West Water Authority  
 BT - British Telecom  
 SWEB - South Western Electricity Board  
 BG - British Gas  
 STWA - Severn Trent Water Authority  
 BR - British Rail

Source: Data provided by the Department of Environment.

be accepted only if a number of conditions are met (interview with official of DoE in London); namely that:

1. There is a remaining statutory control of the privatised company;
2. The projects must be in line with the statutory responsibilities of the company;
3. The infrastructure must remain in public use;
4. The ERDF money must really be needed to ensure that the project goes ahead.

The last point is possibly the most problematic. How will large private companies such as British Telecom or British Gas prove that ERDF assistance is vital? In order for a privatised company to receive a grant it must convince the Commission that the project is additional to what could be undertaken in any case. In other words, there must be "additionality" at the local, individual project level, since there is no national government funding for which "additionality" can be secured at the "global" level (House of Lords, 1988).

The Water Authorities are now also on the privatisation agenda and this may have serious repercussions for the flow of ERDF funds into the South West. However, there are precedents for private companies to receive ERDF grants for infrastructure projects. A number of port authorities which have also recently been privatised, such as Mersey Docks and Harbour Company and Larne Harbour Ltd have both received assistance on the basis of having a statutory requirement for the particular port-related infrastructure for which assistance was awarded. Nevertheless, the likely effect of the sale of the remaining public utilities on infrastructure provision ERDF receipts in the region cannot be judged since it is intimately related to the whole privatisation debate.

Furthermore, it illustrates again how difficult it is to divorce the ERDF from wider national issues and policies.

### 5.3.2. Local Authorities.

The local-authority share of the region's receipts from the ERDF accounts for about a third of the total and, despite the additionality problem, the Fund is a very important source of finance. Although local authorities, are unable to increase their capital programme by the amount of ERDF assistance received, the savings made on interest payments are deemed sufficient to make the task of applying for ERDF grants worthwhile (various interview sources).

One measure of the importance of the ERDF grants to local authorities is the proportion of an authority's annual capital spending programme accounted for by ERDF receipts. It is, however, very difficult to arrive at any kind of meaningful measure for two reasons. In the first place, at least half of an authority's capital programme is generally spent on housing which is not eligible for ERDF assistance. Furthermore, other types of infrastructure such as shoppers' car parks, plant and vehicles and administrative buildings are ineligible. Furthermore, no project costing less than about £30,000 can be considered for the ERDF. Finally, direct comparisons between local authority capital spending and ERDF receipts are not possible because the UK financial year lasts from April to April, whereas the EC operates on the basis of calendar years.

Despite these caveats, it is possible to give a general idea of the relative value of ERDF awards. For example, Penwith District Council's capital Programme for the financial year 1986/1987 totalled approximately £3.3



million. In 1985, the ERDF committed £0.13 million to Penwith. As another example, the Forest of Dean District Council's 1986/87 capital budget totalled £3.73 million compared with ERDF commitments in 1985 and 1986 combined of £0.22 million. Calculations such as these, together with information obtained in interviews, suggest that ERDF commitments commonly account for between 5% and 10% of an authority's capital spending programme.

However, Government interpretation of the additionality principle means that the actual financial benefits of ERDF grants are not as large as these calculations imply. Moreover, as Chapter Four demonstrated, the savings which do accrue are felt on the revenue side of local government spending and thus serve to reduce the burden felt by rate-payers.

The local authorities in the South West cannot compare with many in the industrial areas of Northern England, Scotland and South Wales, which spend significantly more money on capital projects and are therefore able to attract substantially more ERDF assistance in absolute terms. The local authorities in the assisted areas of the South West are mainly rural in nature and are traditionally low spenders (interview sources). Nevertheless, the two eligible county authorities, Devon and Cornwall, together with Plymouth City Council, have all made significant use of the Fund. In addition, all eligible district councils have been active, to greater or lesser extents, in applying for ERDF grants. In fact, as the previous Chapter demonstrated, on a per capita basis the South West region has been relatively successful. Involvement with the ERDF,

however, is not spread equally among all comparable, eligible local authorities in the region. Table 5.4 reveals substantial variations in the levels of assistance allocated to local councils in the South West. Among the most active districts councils have been South Hams (9 grants), Penwith (8) and Carrick (7). At the other end of the scale is Caradon District Council which has received only one ERDF grant. Table 5.6 and Figure 5.6 shows the development of local-authority involvement with the Fund since 1975. This involvement peaked in 1984 when authorities in the region received a total of forty-one grants. Since then the reductions in the assisted areas in particular have constrained the potential of South West local authorities to attract ERDF grants.

As far as the sectoral distribution of ERDF aid to local authorities is concerned, three types of project, namely roads, industrial estates and tourism projects, account for about 87% of commitments (Table 5.7 and Figure 5.7). The first two groups are the "bread and butter" ERDF applications. The County authorities, which have primary responsibility for the road network (except trunk roads) are able each year to identify the aspects of their road programme which will be eligible for the ERDF. The provision of industrial units and estates is generally the responsibility of district councils.

Local authorities in the South West have recently become more aware of the potential of the ERDF for aiding tourism infrastructure projects (interview with officer in Chief Executive's Department, Plymouth City Council). This is in common with a similar growing awareness on the part of

TABLE 5.6. THE DEVELOPMENT OF LOCAL AUTHORITY INVOLVEMENT WITH THE EUROPEAN REGIONAL DEVELOPMENT FUND, 1975-1987.

Year	Devon County Council	no.	£000	Cornwall Council	no.	£000	Plymouth City Council	no.	£000	other local authorities	no.	£000	Year of first successful application (Local Authority)
1975	4	59.0	1	10.9	1	18.9	1	18.9		1	18.9		North Cornwall
1976	-	-	-	-	-	-	-	-	-	4	57.1		Kerrier, Caradon, Torrington
1977	1	59.4	-	-	-	-	-	-	-	1	12.8		-
1978	3	62.0	2	611.1	2	2019.8	3	72.4		3	72.4		Penwith
1979	3	319.5	-	-	-	-	-	-	-	4	147.9		-
1980	2	416.7	1	1416.6	1	105.0	3	110.1		3	110.1		-
1981	-	-	-	-	2	255.6	3	117.3		3	117.3		Restormel
1982	7	2259.3	4	616.9	-	-	-	9	745.3	9	745.3		Carrick, South Hams, Isles of Scilly, Teignbridge
1983	2	737.7	4	677.0	1	640.2	3	1011.9		3	1011.9		Torbay
1984	14	1411.2	11	939.2	3	1673.3	13	3451.6		13	3451.6		North Devon
1985	2	2483.0	8	1582.9	3	2877.0	12	974.3		12	974.3		Forest of Dean, Gloucestershire
1986	-	-	3	574.5	1	133.0	6	1198.5		6	1198.5		-
1987 (1)	1	2533.0	5	4648.2	-	-	4	354.2		4	354.2		-
Totals	39	10752.8	39	11078.1	14	7722.8	66	8272.2		66	8272.2		-

Note: 1) Grants which were applied for in 1987 were in many cases not committed until 1988. The available DoE data include grants awarded before the end of 1987 only.

Source: Unpublished data provided by the DoE.



FIGURE 5.6.

THE DEVELOPMENT OF LOCAL AUTHORITY INVOLVEMENT WITH THE ERDF 1975-1987

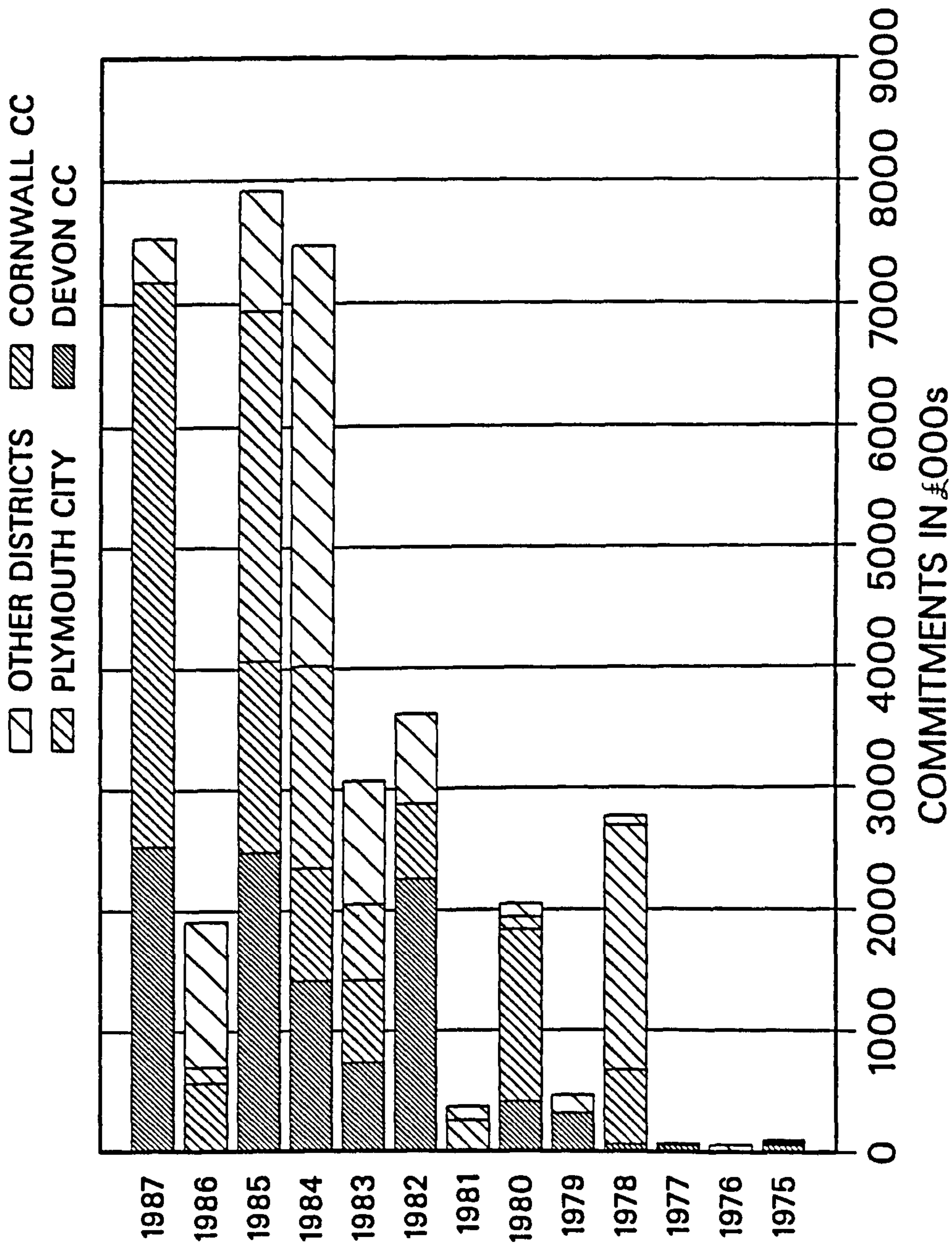


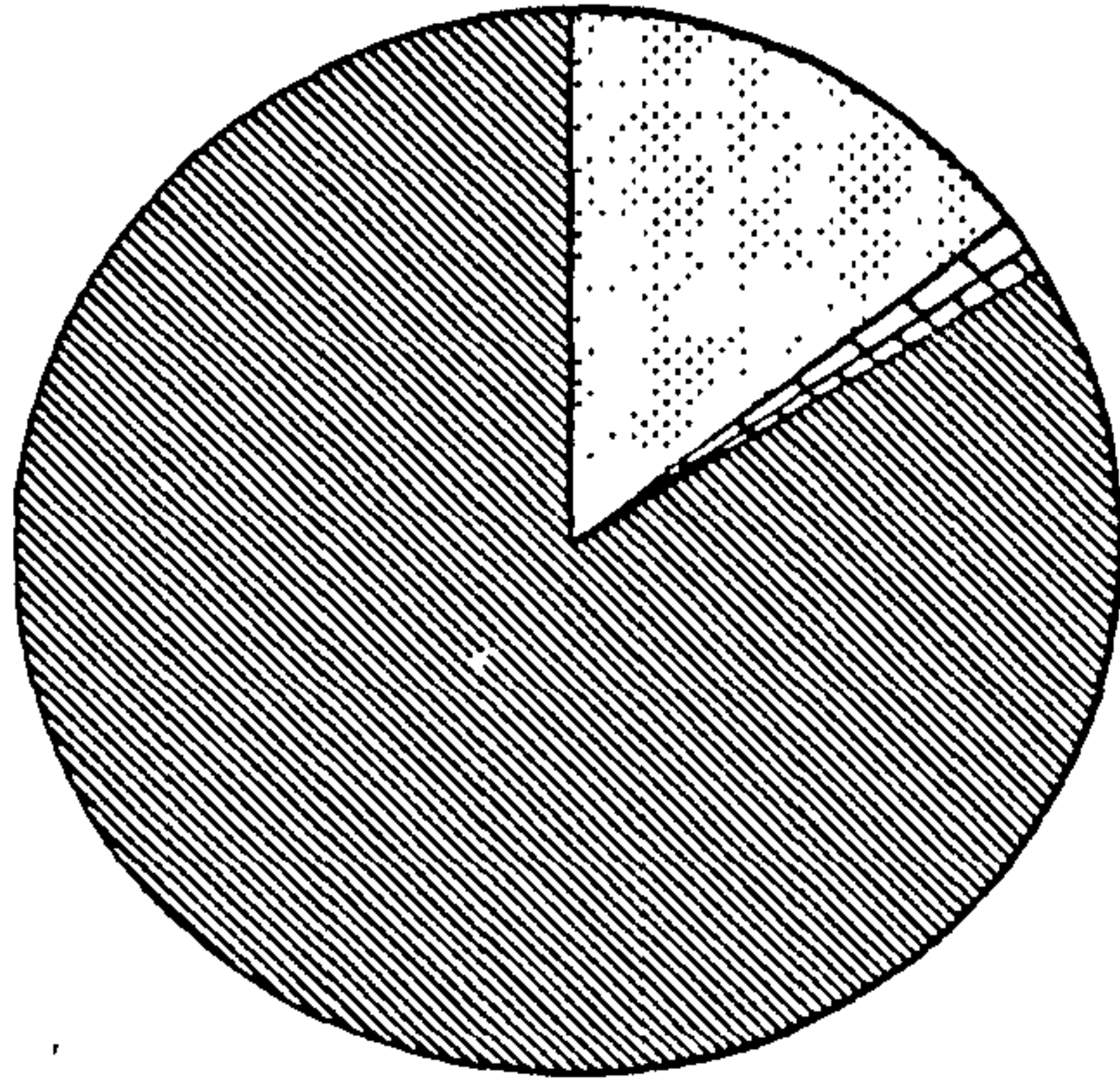


FIGURE 5.7.

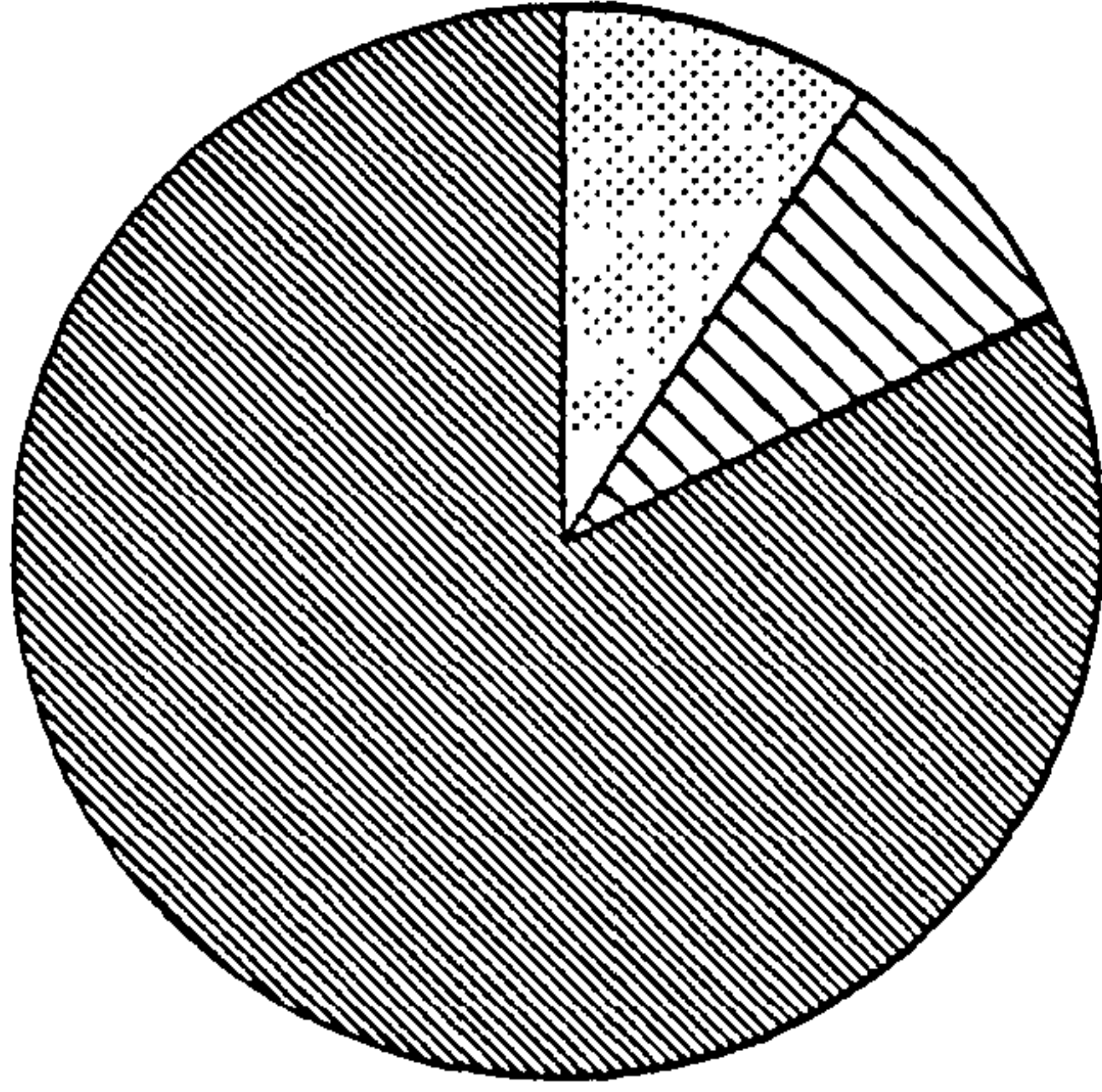
# LOCAL AUTHORITIES AND THE SECTORAL DISTRIBUTION OF ERDF ASSISTANCE

- ROADS
- TOURISM
- INDUSTRIAL ESTATES
- PORTS/HARBOURS
- OTHERS

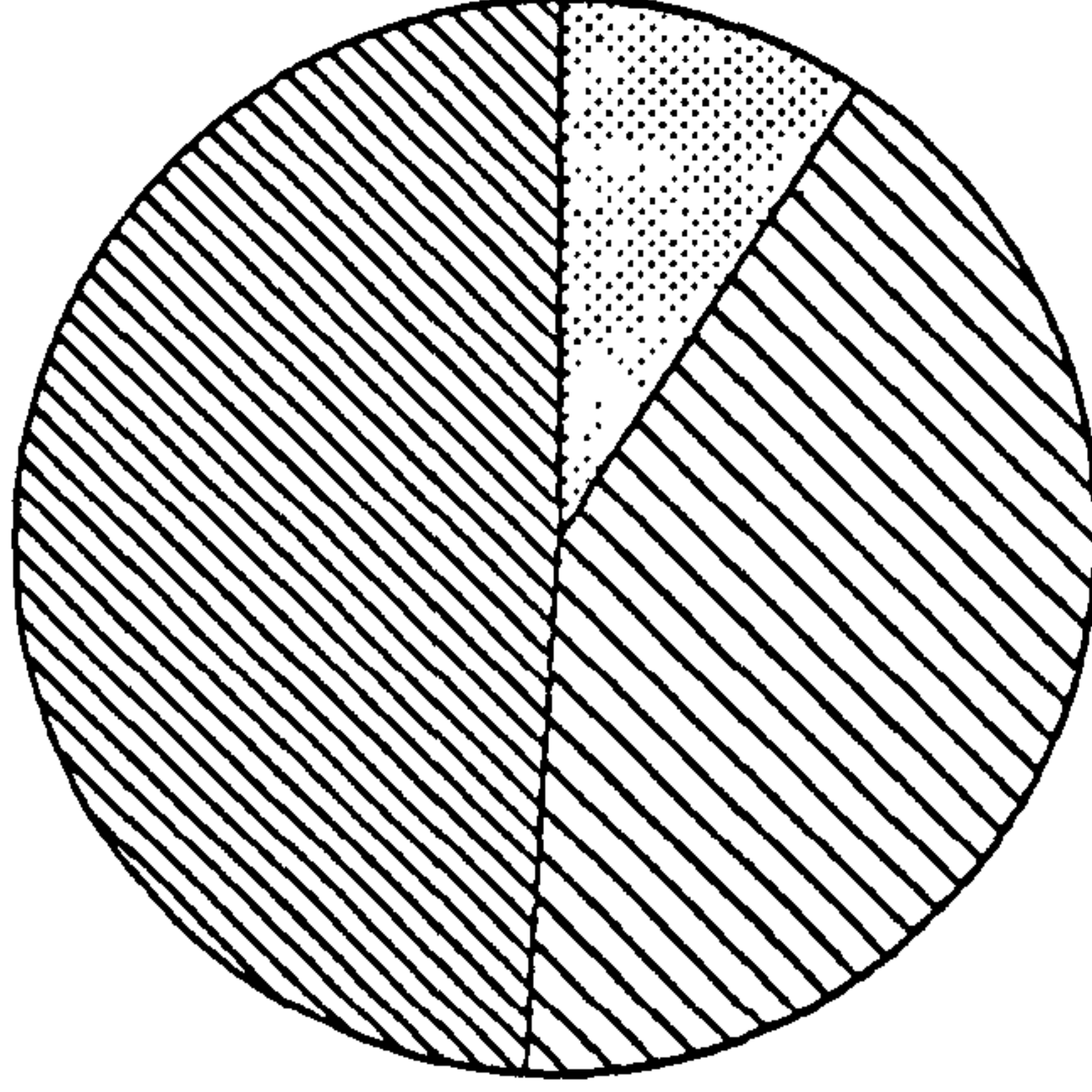
CORNWALL C.C. £11.08 Million



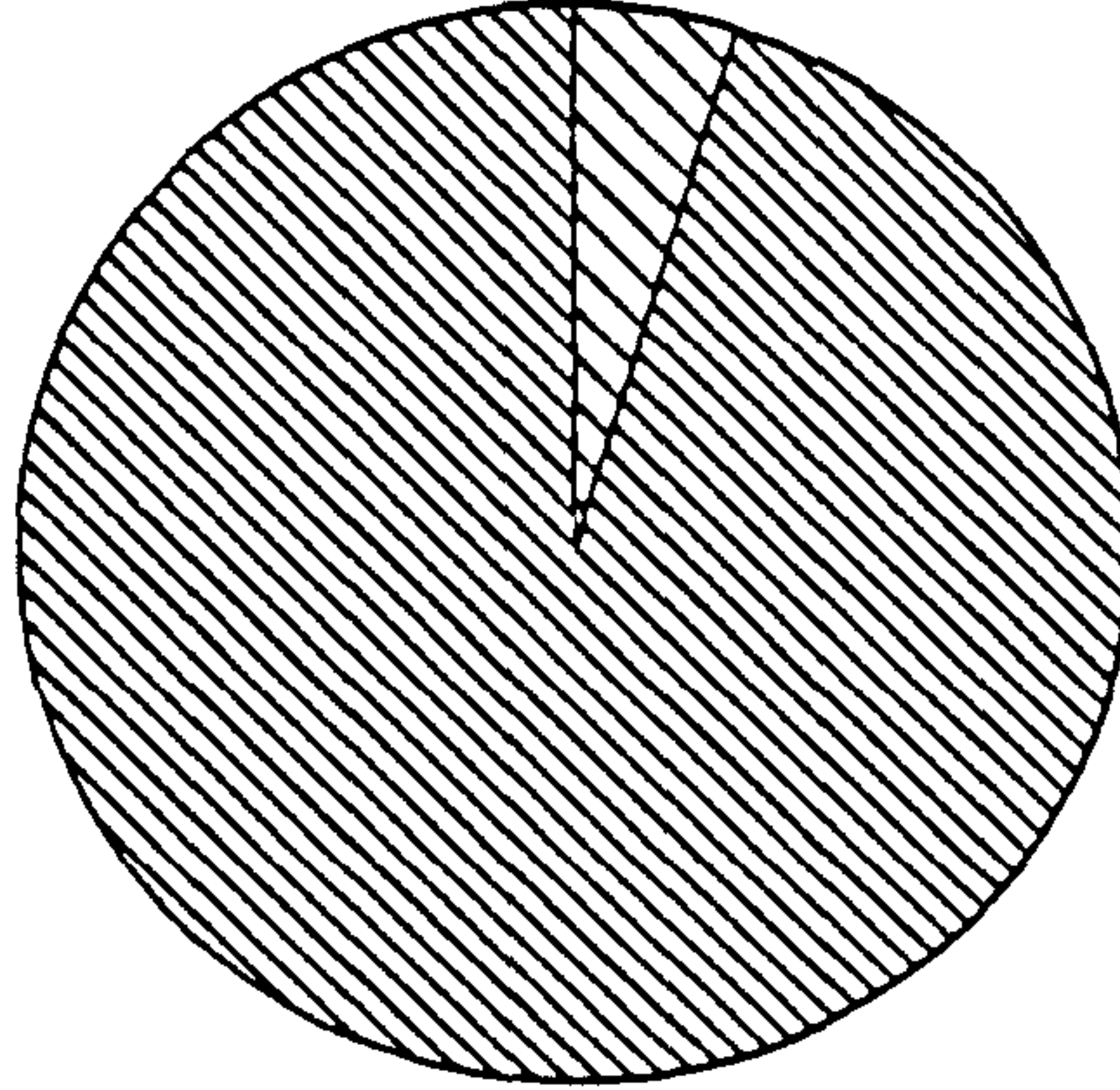
DEVON C.C. £10.75 Million



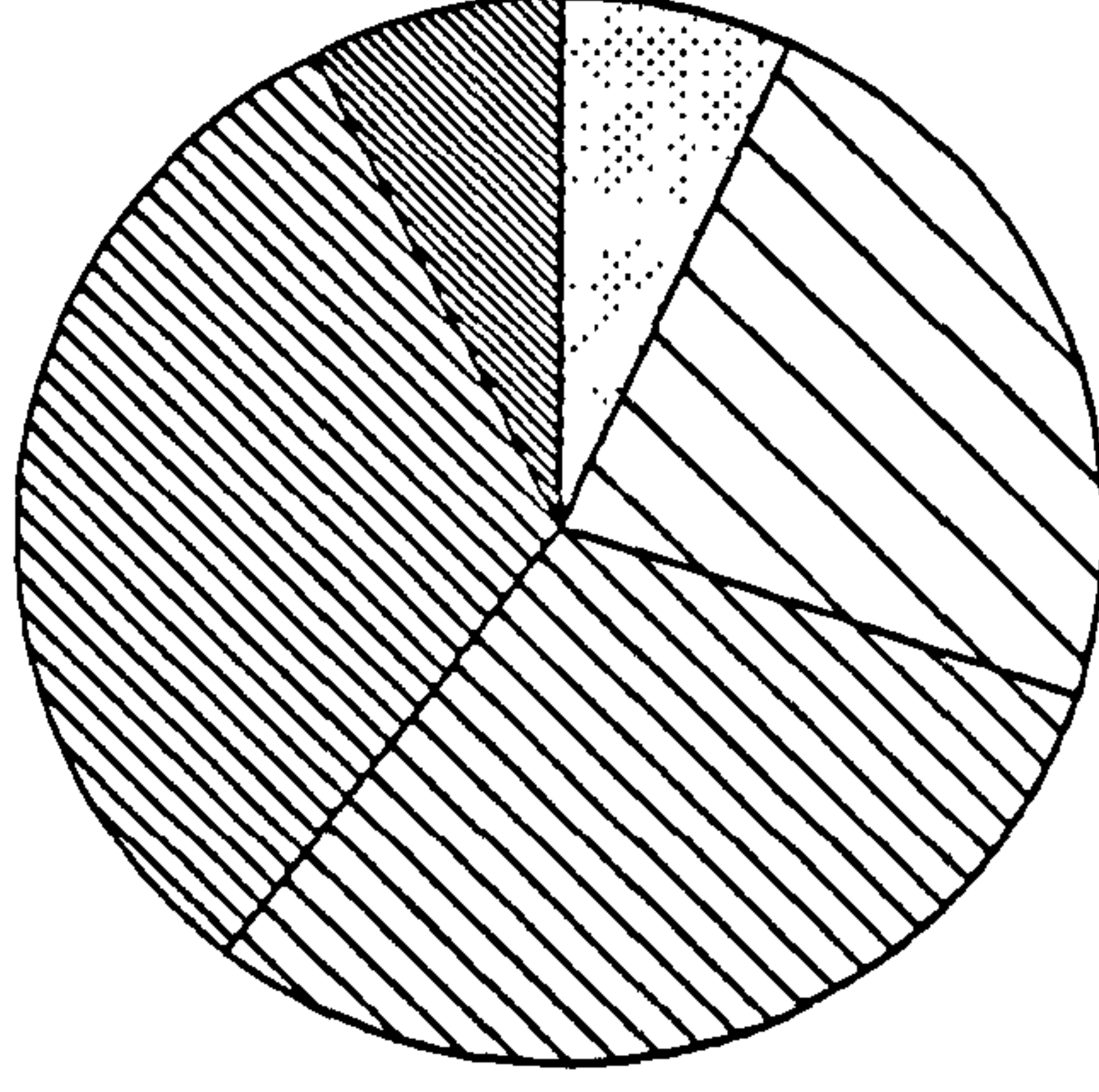
PLYMOUTH CITY £7.72 Million



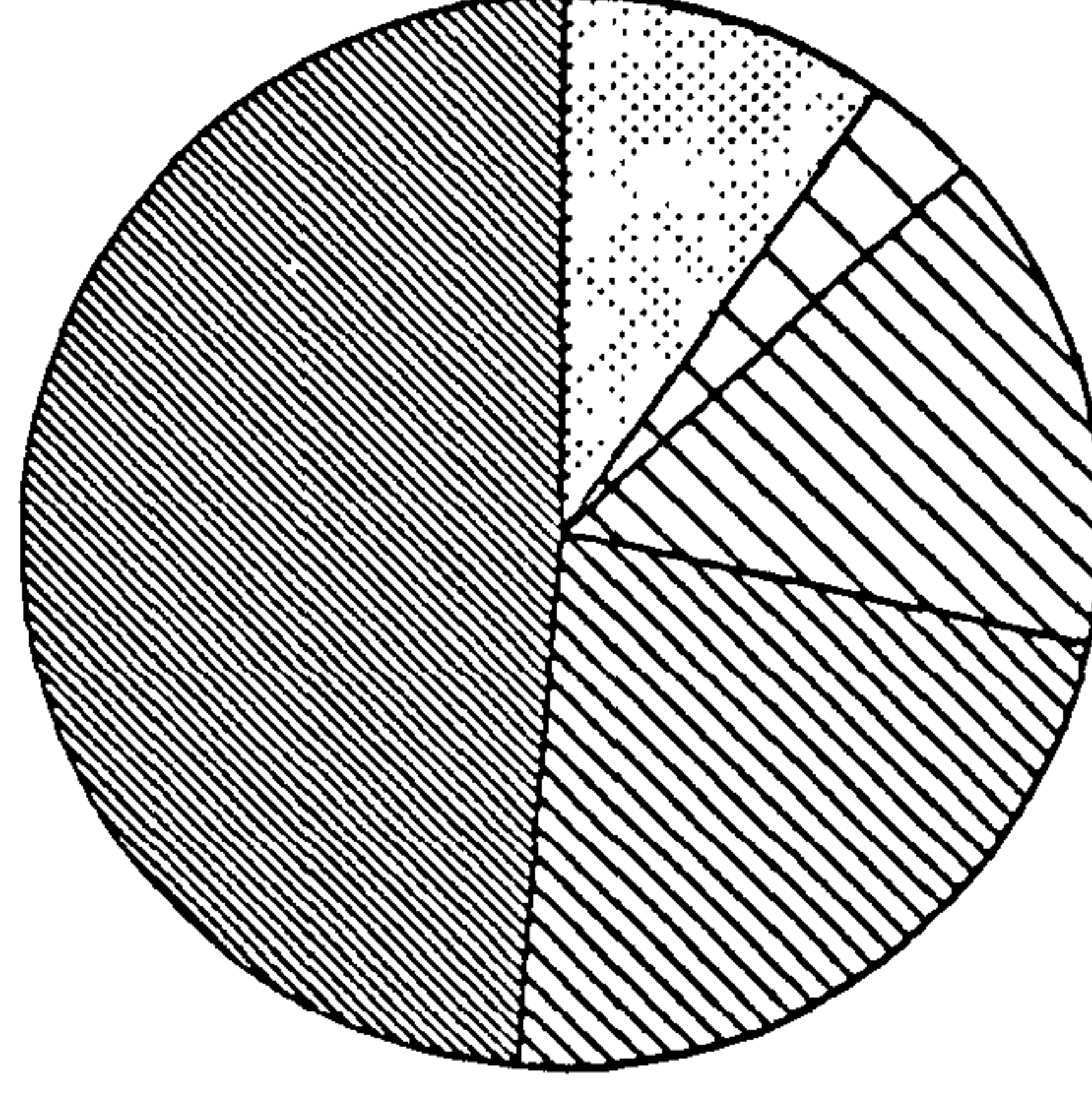
TORBAY B.C. £3311.4 Million



OTHER AUTHS. £4.94 Million



TOTALS £37.75 Million





**TABLE 5.7. LOCAL AUTHORITIES AND THE SECTORAL DISTRIBUTION OF ERDF ASSISTANCE.**

Loc.Auth.	Type of project (£000's)					total	%
	roads (1)	tourism	industrial units/estat.	harbour /ports	others (2)		
Cornwall C.C.	9208.7	-	83.4	111.5	1614.6	11078.2	29.3
Devon C.C.	8802.8	15.9	929.2	-	1004.4	10752.3	28.4
Plymouth City	-	3785.4	3217.2	-	720.2	7722.8	20.4
Gloucest. C.C.(3)	338.0	-	-	-	-	338.0	0.9
Torbay B.C.	-	3156.6	154.8	-	-	3311.4	8.8
Devon districts	-	961.0	521.0	983.4	275.4	2740.8	7.2
Cornwall districts	44.0	669.5	670.2	203.7	48.3	1635.7	4.3
other(4) districts	-	-	204.0	-	24.0	228.0	0.6
<b>Totals</b>	<b>18393.5</b>	<b>8588.4</b>	<b>5779.8</b>	<b>1298.6</b>	<b>3686.9</b>	<b>37747.2</b>	<b>100</b>
<b>%</b>	<b>48.7</b>	<b>22.8</b>	<b>15.3</b>	<b>3.4</b>	<b>9.8</b>	<b>100.0</b>	

**Notes.**

1) Access roads for industrial estates are not included in this category. They come under the industrial estate heading.

2) e.g. Waste Disposal plant for Plymouth City council; Telecommunications for Cornwall County Council, education buildings and other transport.

3. Gloucestershire C.C. became eligible from 1985 onwards when the Cinderford/Ross-on-Wye TTWA was designated as an Intermediate assisted area.

4. West Somerset and the Forest of Dean District Councils.

Source: Data provided by the Department of the Environment.



authorities in other parts of the UK (Williams, 1986; Pearce, 1988). In the South West, this reflects the importance of the tourism sector in the region's economy. Both Devon and Cornwall are attempting to develop and encourage this sector in order to generate extra income and employment (interviews in Devon County Council, Plymouth City Council and Cornwall County Council).

In Plymouth in particular a number of major tourism-related projects have received substantial ERDF grants. The Council sees tourism as an integral part of its efforts to diversify the City's economy and to create employment in the wake of the privatisation of the dockyard and the resulting large-scale job losses (interview in Treasury of Plymouth City Council). Among the major schemes which have been assisted are: the Theatre Royal which received an ERDF grant of £1.91 million; Central Park Leisure Centre which obtained £0.52 Million; and the Queen Anne Battery sea sport complex which received £1.34 Million. In other districts tourism schemes have attracted similar sums. South Hams District Council received £0.93 Million for the South Dartmoor Leisure Centre in Ivybridge and Torbay Borough Council was allocated two grants totalling £3.16 Million for the Rose Tor Conference Centre.

A major stumbling block for applications to the ERDF for these kinds of projects can be the necessity to prove the scheme is for external visitor use rather than a leisure facility for local people. The European Commission has judged that at least 50% of the usage of particular facilities must be by overnight visitors from outside the assisted area. In this respect, Plymouth City Council

appears fortunate to have obtained an ERDF grant of £515 thousand in 1984 for an extension to Central Park swimming pool. The application submitted for this scheme needed very careful wording to convince the Commission that the "Leisure Pool" (as it was called) was for tourist use as much as a facility for the local population (interview with officer in Chief Executive's Department of Plymouth City Council).

#### 5.3.3. The Department of Transport.

The Department of Transport has been allocated 23% of the South West's ERDF receipts for a number of expensive trunk road schemes. It is in cases such as these that the "additionality" issue is at its most contentious. Schemes such as the A38 Plymouth by-pass from Marsh Mills to the Tamar Bridge (£9.57 million ERDF contribution) and the Saltash by-pass (£7.8 million from ERDF) were guaranteed to go ahead with or without assistance from Europe (interview with official of DoE in London). Thus ERDF money goes straight into the public purse as a rebate for expenditure that would have taken place in any case. Although the Fund may be saving taxpayers' money and clawing back a valuable proportion of the UK's share of the overall Community budget, it is difficult to sustain the argument that the ERDF contribution is making an important "additional" contribution to regional development.

#### 5.3.4. Other organisations.

There are six other organisations in the South West which have received grants from the ERDF. Four of these recipients are port authorities based at Millbay Docks in Plymouth or Falmouth Docks in Cornwall. Organisations of this kind are common recipients of Fund assistance. Examples

of similar recipients from other parts of the country include the Port of Sunderland Authority, Mersey Docks and Harbour Company and Larne Harbour Ltd in Northern Ireland.

The remaining two organisations which have been successful in obtaining assistance are particularly interesting because they are very different from all other ERDF beneficiaries. Grants have been awarded to two registered charities; namely, the National Trust for a wind-powered electricity generator on Lundy Island, and the Landmark Trust for a ferry linking the Island with Bideford on the mainland. At present, however, there is clearly a lack of adequate information being circulated to such organisations concerning the possible availability of grants from the ERDF. For example, could developments at tourist sites run by private trusts such as abbeys or ancient monuments qualify. It seems likely, and this point was confirmed by an interviewee at the Bristol office of the DoE, that other private and voluntary organisations could benefit from the ERDF in the same way, particularly for projects concerned with tourism.

#### 5.4. FACTORS EXPLAINING INVOLVEMENT WITH THE ERDF.

Using the material derived from the series of interviews carried out during this research, it was possible to identify why some organisations within the region have been more strongly involved with the ERDF than others (also Croxford, 1987). It is helpful to divide these factors into the following two groups:

1. those factors which determine the extent of the ERDF opportunity presented to each organisation;



2. those factors which determine whether individual organisations take up this opportunity.

#### 5.4.1. The extent of the ERDF opportunity.

These factors set limits on the volumes of ERDF assistance which organisations are able to obtain. As such they are outside the control of the authorities themselves.

##### a) Assisted area status.

The major constraint on the location of ERDF spending is the map of nationally designated assisted areas in the region. Figure 5.2 showed the location of assisted areas over the 1975 to 1986 period. The 1984 reform of government regional policy resulted in the loss of assisted area status for Teignbridge and Torbay Districts. Furthermore, other districts lost assisted areas, notably Carrick, South Hams, Restormel, North Cornwall and Torrington. On the other hand, the Cinderford and Ross on Wye Travel to Work Area, part of which is in Gloucestershire, was upgraded to Intermediate Area status for the first time because of a worsening of local unemployment. The precise status of assisted areas (Development Areas or Intermediate Areas) appears to have made little difference to the potential for attracting ERDF grants. Indeed, there is no evidence to suggest that either the UK government or the European Commission has given particular priority to projects located in Development Areas, despite the fact that the ERDF Regulation gives priority to these areas. Preston (1986) came to similar conclusions in her study of the ERDF in Humberside. One reason for this is that the national government now submits as many applications as possible in order to maximise UK receipts. To hold back applications from non-priority areas

would be inconsistent with such a policy.

Unemployment in some of the areas which have lost assisted area status remains high. Torbay, for example, had an unemployment rate in October 1986 of 16.6%. In comparison, Plymouth, which retained Intermediate area status, had a rate of 15.0%. Clearly, subsequent privatisation of the Royal Naval Dockyards and resulting job losses from Plymouth's major employer, as well as Plymouth's status as the major city of the region had much to do with the Government decision to keep the city's assisted status (interview in Chief Executive's Department of Plymouth City Council). Again this illustrates how Community and national policies are closely inter-related.

b) Government imposed capital spending limits and "additionality".

A second factor that affects the extent of the ERDF opportunity faced by particular organisations is the impact of capital spending limits imposed by central government and its interpretation of the additionality principle. Each financial year local authorities are set limits by central government on the amounts they are allowed to spend on capital projects and the maximum amounts they may borrow to finance their capital programmes.

The inability of local authorities to use ERDF money as a way of increasing planned expenditure means that the number and size of ERDF applications from individual authorities is limited by the scale of capital expenditure that would take place in any case. Table 5.8 illustrates the volumes of capital spending carried out by local authorities in the assisted parts of South West England in the 1985/86

financial year. It also provides indicators, estimated from the 1986/87 local-authority capital budgets, of the proportion of expenditure which may be eligible for ERDF assistance. It is very difficult to estimate eligible expenditure in this way without knowing the details of particular projects. However, the figures exclude capital schemes which are obviously ineligible such as expenditure on housing and education. In the many cases where there was doubt about likely eligibility then the expenditure was included in the calculations. As a result, the estimates are certainly exaggerated. Nevertheless, they provide approximate measures of the relative ability of particular local authorities to generate ERDF applications. The degree of eligible expenditure depends on the kinds of projects upon which a local authority decides to spend its available capital. For example, authorities may be committed to spending their capital allocations on programmes such as council housing, which is not eligible for ERDF assistance. In 1985/86, for example, the proportions of capital expenditure directed towards housing ranged from 91% in West Devon and 86% in Caradon to 45% in Kerrier (Chartered Institute of Public Finance and Accountancy, 1987). Clearly, with relatively high levels of expenditure on housing, there is very little finance available to fund eligible projects.

Table 5.8 shows that the local authorities which have received most ERDF assistance, such as Plymouth, South Hams and Kerrier, are those which are spending the largest volumes on eligible infrastructure in assisted areas. Moreover, authorities such as Restormel, West Devon and Caradon have very low volumes of eligible capital spending



Table 5.8. THE ERDF OPPORTUNITY: CAPITAL EXPENDITURE BUDGETS OF LOCAL AUTHORITIES IN ASSISTED AREAS IN SOUTH WEST ENGLAND, 1986-1987.

Local authority	Total capital budget £000	capital spend. per capita (£)	eligible capi. spending (£000)	eligible percap (£)	Political control
Cornwall C.C.	10,978	26.7	n.a.(1)	n.a.	Alliance /Ind.Con.
Plymouth City	26,845	112.7	3480.2(2)	14.5	Con/Lab
Devon C.C.	23,439	24.5	1672.0(2)	1.8	All/Con
Kerrier D.C.	4,285	48.0	945.0(2)	4.0	Con.
Gloucestershire C.C.	11,285	30.2	387.0	0.8	Con/All
Forest of Dean D.C.	2,697	71.6	288.5	4.0	Lab/Ind
South Hams D.C.	4,594	67.6	265.4	4.0	Con
North Cornwall D.C.	3,815	56.6	191.3(2)	3.0	Others
Penwith D.C.	2,225	42.2	96.0	1.8	non.pol/Con
Restormel B.C.	2,770	35.0	70.0	0.9	non.pol/All
Carrick D.C.	3,851	47.8	55.0	0.7	Con/All
Caradon D.C.	3,335	46.5	52.0	0.8	Others
Torridge D.C.	2,079	42.7	31.4(2)	0.7	Ind
West Devon D.C.	2,286	53.2	25.0	0.6	non.pol/Con

Notes. 1) n.a. = not available.

2) 1987-1988. 3) All=Alliance, Con=Conservative, Lab=Labour, Ind=Independent, non-pol=non-political

Sources: Chartered Institute of Public Finance and Accountancy (1987);

Municipal Year Book (1987);

Annual Capital budgets produced by local authorities.

and hence are unable to generate ERDF applications. The rankings of local authorities in this Table according to volumes of eligible expenditure undertaken broadly match the relative shares of ERDF assistance received (Table 5.4).

A number of interview respondents did point to the influence of the ERDF on the nature rather than the volume of capital expenditure undertaken by local authorities. Interviewees from Cornwall County Council, Devon County Council, Penwith and South Hams District Councils all suggested that the likely availability of ERDF assistance for a particular project may serve to give that scheme priority in the local authority's planning process over projects which are not eligible for aid of this kind. An interviewee at Devon County Council suggested a hypothetical example in which an industrial estate in the assisted part of South Devon is given priority over a by-pass in non-assisted North Devon on the grounds that it is likely to receive ERDF aid. In a case such as this what are the criteria for assessing the impact of the ERDF? Should the ERDF be judged a success because it enabled one scheme to go ahead in an assisted area and produced a level of grant income, or a failure because it hindered or delayed the implementation of important economic infrastructure in a nearby non-assisted area? It is very difficult to answer this kind of question. However, it does not necessarily follow that the industrial estate was a more desirable item of investment solely because it was located in an assisted area and therefore eligible for ERDF aid. There is a danger in a case such as this that the ERDF is influencing decisions that are best left to those at the local level

better placed to compare the merits of particular schemes.

As far as public utilities are concerned, Central Government controls on capital expenditure operate somewhat differently to local authorities and the "additionality" issue is less clear-cut. In the case of the Water Authorities, "additionality" of a sort does seem to exist. These authorities have three sources of finance, namely: rate charges, which policy dictates should be kept down; ERDF grants; and External finance sources, including borrowing and central government grants from the Ministry of Agriculture and the Department of Environment.

The last of these sources is controlled by a national External Finance Limit (EFL) imposed by the government, which restricts the volume of borrowing the Water industry as a whole can carry out. This EFL is divided up among the regional Water Authorities of which SWWA is one. The overall national EFL is set with likely ERDF receipts taken into account. However, each individual Water Authority is permitted to increase its capital programme by the amount of ERDF grants it receives. In other words, if the Water Industry is able to win a larger amount of ERDF support than the amount considered likely by the DoE when setting the EFL, then ERDF receipts do permit them to increase the volume of capital spending which would take place in any case (interview with Finance Officer of SWWA).

#### 5.4.2. The take-up of the ERDF opportunity.

The discussion above has demonstrated that organisations are presented with a particular ERDF opportunity based on the extent of assisted areas and the volume of capital spending they are able to carry out.



Nevertheless, we have also established that apparently similar organisations have received shares of Fund assistance that vary substantially. It therefore follows that the take-up of this opportunity also varies. The following section attempts to discover why organisations have received differing shares of assistance. A variety of factors can be identified, which can themselves be divided up into two groups. The first two factors are those which are entirely controlled within the particular organisation and are especially important in explaining changes in organisational involvement over time. These are: organisational response to the ERDF and the presence of key individuals. The final two factors are those which are derived from external sources, but are made use of to varying degrees by the various organisations, namely the availability of information and of other external sources of finance.

a) Organisational Response.

In order to take up the opportunity presented by the ERDF those organisations having schemes which are potentially eligible must be organised to apply for the available assistance. This section focuses on the organisational structure involved in putting together ERDF bids, in order to assess whether there is any relationship between ERDF success and the ways in which applicants go about winning this assistance. It begins by examining which particular departments within active organisations have responsibility for grant applications. Table 5.9 shows this for all the authorities which were interviewed. The organisational situation in the South West parallels the

**TABLE 5.9: ALLOCATION OF RESPONSIBILITY FOR ERDF IN LOCAL AUTHORITIES AND PUBLIC UTILITIES SOUTH WEST ENGLAND.**

Local Authority	Departments involved (lead dept. in bold) (1)
Devon County Council	Chief Executive, Property, Treasury, Planning
Plymouth City Council	Chief Executive, Treasury, Planning, Engineers, Tourism
Cornwall County Council	Planning, County Surveyors, Treasury
South Hams D.C.	Treasury, Technical Services, Planning
Carrick D.C.	Planning, Treasury, Engineers
Torridge D.C.	Treasury, Planning, Technical Services
Penwith D.C.	Chief Executives, Treasury, Planning
Gloucestershire C.C.	Treasury, Planning, County Surveyors
Forest of Dean D.C.	Treasury, Planning
Teignbridge D.C. (2)	Chief Executives, Treasury
Kerrier D.C.	Chief Executives, Treasury
North Cornwall D.C.	Planning, Treasury
Caradon D.C.	Planning, Treasury
Restormel Borough Council	Planning
Torbay Borough Council(3)	Treasury
North Devon D.C.(3)	Planning
West Somerset D.C.(3)	Treasury
<b>Public Utilities</b>	
South West W.A.	Finance, Planning
South Western Electricity Board	Finance

Notes. (1) The information was derived from a question in the interviews.

(2) Teignbridge D.C. lost assisted area status in November 1984.

(3) These authorities also lost assisted status in 1984 and the relevant personnel had since departed. Consequently no interviews were possible.

Sources: Interviews.

findings of Glasson and McGee (1984) for the UK as a whole. They also found that Chief Executive, Treasury and Planning Departments were the most common lead departments on EC grants.

The three largest local authorities in the region, namely Devon County Council, Cornwall County Council and Plymouth City Council, have all delegated to particular departments the task of handling EC matters. These departments have overall responsibility for identifying eligible projects and for disseminating information about the Community throughout the authority. At Devon County Council, the Chief Executive's Department persuaded the other departments concerned with ERDF eligible projects (Table 5.9) to nominate a particular officer to liaise with the Chief Executive's Department on ERDF applications. The resulting small network of Council officers became completely self-contained, developing a well-established system for identifying eligible projects in the County's annual capital programme and making the applications.

The organisational structure in the public utilities which were interviewed was very similar to a number of the local authorities. In both SWWA and SWEB the Finance departments had overall responsibility for Fund applications. Of the other ERDF recipients that were interviewed only four said that one particular department took the lead in applying for ERDF grants, although it is noticeable that South Hams, Penwith and Torrington, three of the most active districts did identify a department or departments which were understood within the authority to have some responsibility for ERDF applications. In all



the local authorities which were interviewed the Treasurer's department was identified as having some involvement with the applications. Often this was only in providing detailed project costings or in assisting with final claims for payments. In some cases, notably South Hams D.C., Torrington D.C. and Gloucestershire C.C., the Treasury acted as the authority's lead department on ERDF applications. The nature of the particular department involved seemed to make little difference, except that it is important for the co-ordinating department to have an overview of all local-authority schemes which may be eligible for ERDF. The Treasury, Chief Executives and Planning Departments can all view the authorities' activities in this way.

In terms of personnel involved, once again only the three largest and most active authorities had particular staff members delegated responsibility for co-ordinating all the authority's ERDF applications. In the other smaller authorities a rather more complex picture emerged. It was possible to identify in each department in each authority a particular person who was responsible for all applications from that department. However, this reflected the logic that in each department one person should deal with a task that takes up only a small proportion of the department's time. However, in very few cases, other than the three largest authorities, did one such person have overall responsibility for all that particular council's ERDF applications. Instead, a number of people from a variety of departments contributed to ERDF applications with no-one pre-eminent.

All interviewees in district councils, with the

exception of Plymouth City Council, agreed that it was not cost effective to use a large amount of resources, in terms of time and personnel, on the ERDF, which was only a minor part of the local authority's activities.

The procedures by which likely projects are identified are best seen in the form of a spectrum. At one end are what can be termed "formal" selection processes and at the other end are more "informal" or "ad hoc" methods of identifying potentially eligible schemes. Some authorities, notably Plymouth, Devon and Cornwall underwent a formal evaluation of their capital spending programme in order to identify those projects which may be eligible for ERDF aid. A number of the other more successful districts such as South Hams and Carrick carried out similar evaluations of projects to assess all possibilities for grant-aid, including the ERDF. However, other local authorities such as North Cornwall and Kerrier identified ERDF applications in far more ad hoc ways, potentially eligible schemes were identified by individual officers who happened to be interested (interview sources).

The importance of organisational factors in explaining recent variations in ERDF involvement is questionable. Although the largest recipients of ERDF assistance (Plymouth City Council and Devon and Cornwall County Councils) have what appear to be the most efficient organisational arrangements, this is due to the fact that their larger capital budgets give them more opportunity to apply for grants. Thus, organisational efficiency is a rational response to a greater opportunity and not by itself necessarily the reason for increased success in obtaining

assistance. As far as smaller districts are concerned similar conclusions can be drawn. The very limited opportunity to win ERDF aid means that a high level of organisational efficiency is not required to win those few grants which are available.

However, organisational processes are more important in explaining variations in ERDF involvement over time. For example, the relatively early decision of the Chief Executive of Devon County Council to delegate responsibility for all European Community matters to an officer in his department enabled Devon to make greater use of the ERDF in the Fund's early days than Cornwall County Council or Plymouth City Council. (Table 5.6) (interview with officer in Chief Executive's Department of Devon County Council). In this case, however, the authority's successful response to the ERDF opportunity was precipitated by the action of one particular individual.

#### b) The role of key individuals.

In the Humberside study, Preston found that the influence of particular individuals was "crucial in the ... successful response to the ERDF opportunity" (Preston, 1985, p31). In this research, initial involvement and the subsequent development of local authorities' ERDF involvement often appears to have been the result of some initiative by a key personality in the organisation. In South Hams D.C., Kerrier D.C. and Torridge D.C. a particular person took on the role of informal ERDF co-ordinator. In each case this was the result of an interest on the part of that particular person rather than any explicit delegation of the task to him. In some cases, such as Torridge District



Council and Devon County Council, this person had initiated the authority's early involvement with the ERDF and had kept the responsibility for the task ever since. Apart from the example of Devon County Council, a personal initiative on behalf of an individual officer has provided the catalyst for increased awareness of the availability of Community assistance at Torridge District Council. The authority's Finance Officer revealed in an interview that securing the district's first ERDF grant became a "personal crusade".

c) Information sources used.

The importance of the level of information available to potential ERDF applicants has been identified by Preston (1985, 1986), Glasson and McGee (1984) as an important factor affecting the application rate for ERDF grants. In this study of South West England, interviewees were asked what sources of information they used regularly. Table 5.10 shows the wide variety of sources employed by local authorities in the region. The interviewees were not prompted in any way and consequently there are inevitably omissions from the list because the interviewee would not necessarily have remembered all sources. Nevertheless the list does at least show the variety of information sources available, as well as those which are most commonly used.

All interviewees, in organisations which have received grants, mentioned the DoE's "Notes for Guidance" as the most important source of information. This information pack is sent out by the Bristol Office of the Department to any organisation which shows an interest in the ERDF and therefore not surprisingly is the most quoted source. Of the other sources the monthly "European Information Service"

TABLE 5.10. MAJOR INFORMATION SOURCES AVAILABLE TO LOCAL AUTHORITIES.

Publisher	Source	no. of times mentioned
Central Government	DoE "Notes for Guidance"	13
International Union of Local Authorities (British Section)	European Information Service	9
Seminars - organised by Cornwall County Council, School of Urban Studies (Bristol University), DoE.		7
European Commission	"Finance from Europe" (London)	3
"	"Grants and Loans from the European Community" (Luxembourg)	3
"	"Bulletin of the European Communities"	2
Association of District Councils	"District Councils and the European Community"	2
European Commission	Commission press releases	1
Chartered Institute of Public Finance and Accountancy	Information on the European Community	1
European Documentation Centre (Exeter Uni.)	Library receiving all EC publications	1
Budd, S (1986)	<u>A Guide to the Maze</u> . A book aimed at practitioners concerned with the EC	1

Source: Interviews

(EIS), produced by the British Section of the International Union of Local Authorities, is widely read and praised for its usefulness. The publication is aimed specifically at local-authority practitioners and provides up-to-date information on all Community issues of local-government concern. As far as the ERDF is concerned, EIS informs authorities about new interpretations of the Regulation or new rules imposed by the DoE, drawn from Commission news releases or meetings between local authorities and the DoE or the Commission.

There was, however, a considerable variation in the number of sources mentioned by each interviewee. Table 5.11 gives an indication of which local authorities are particularly well-informed and those which are not. From this Table it can be seen that the three most successful local authorities, together with Gloucestershire - the third eligible County Council - all receive information from a wide variety of sources. These findings conform with those of Glasson and Mcgee (1984) who found in a survey of local authorities in the UK as a whole that in general counties in assisted areas were the best informed on Community matters. All districts, except North Cornwall, Caradon and Restormel, received at least two sources including the DoE's "Notes for Guidance". However, all interviewees were aware despite varying levels of information of the basic features of the Fund and of the kinds of projects which normally receive assistance, such as roads and industrial estates. It is perhaps the more marginally eligible projects, such as in the tourism sector, which may have been missed because of poor information or inadequate selection procedures.



TABLE 5.11: VARIATIONS IN ORGANISATIONAL ACCESS TO INFORMATION.

Number of sources mentioned	Organisations
1	Caradon D.C., Restormel D.C.
2/3	Carrick D.C., North Cornwall D.C., SWEB.
4/5	Kerrier D.C., Torridge D.C., South Hams D.C., Forest of Dean D.C., SWWA.
> 5	Plymouth C.C., Cornwall C.C., Devon C.C. Penwith D.C., Gloucestershire C.C.

Source: Interviews

The importance of information in determining ERDF success for local authorities and public utilities appears to have become marginalised in comparison with other factors related to the volume of spending authorities are able to carry out. There has been a convergence of awareness about the ERDF in recent years. However, in the period before about 1982, information appears to have been a much more important factor. The availability of information, as well as the initiative of particular individuals, is likely to have been instrumental in stimulating the relatively early response to the ERDF of authorities such as North Cornwall, Kerrier, Torridge, Penwith and Devon County. Furthermore, lack of information may explain the failure of North Devon, Torbay and Teignbridge among others to apply for assistance until after 1982.

d) Other external sources of assistance.

Another factor affecting the volume of ERDF

applications is the availability of other external sources to fund industrial estates and other infrastructure projects. The existence of more advantageous sources of finance was also noted by Preston (1986) in a study of Humberside's involvement with the ERDF: "the aim of any local authority is to obtain the most efficient cocktail of loans and grants with which its economic objectives can be achieved" (Preston, 1985, p36). A number of authorities in Devon and Cornwall, for instance, are eligible for 100% funding by English Estates and the Development Commission for industrial estates in designated Rural Development Areas. Complete funding in this way is clearly preferable to providing the 50% of capital costs needed to part-finance an ERDF eligible project. Interviewees in North Cornwall and Caradon District Councils agreed that Development Commission money had been sought for schemes which may otherwise have been the subject of ERDF applications. Furthermore, Plymouth has recently been designated as eligible for Urban aid, which may be a more advantageous source of assistance for infrastructure projects than the ERDF (interview with officer in City Treasury, Plymouth City Council).

#### 5.5. CONCLUSIONS.

We have seen that "bottom-up" initiative plays an important part in the implementation process. In the main this is because the Fund obviously cannot provide assistance unless it is first applied for. However, it is clear that processes operating at the local level which determine whether assistance is sought are highly complex phenomena. There is a large "pool of organisations" (Hjern and

Porter, 1981). In fact, no fewer than 31 organisations have received grants for infrastructure projects in the region.

A variety of factors determine the degree of activity of each of these organisations. These are illustrated by Figure 5.8. The question arises whether awareness of the Fund and organisational response are most important in determining organisational involvement, or whether ERDF success is simply a result of a greater opportunity to attract assistance. It is very difficult to judge which factors are most important in determining organisational responses to varying ERDF opportunities. No clear picture emerges from the interviews. However, over time there has clearly been a diffusion of awareness and knowledge of the ERDF. In the Fund's early years, grant seeking activity was not universal. Some local authorities and other organisations were quick to see the opportunity presented by the Fund whereas others took some time to realise the potential benefits. Lately however, many organisations are aware of the availability of ERDF assistance and it seems that most opportunities for assistance from the Fund are being utilised. In other words, factors such as assisted area status and government spending limits are what primarily determines authorities' ERDF involvement.

Given the problems of securing genuine additionality it may be surprising that local authorities and others seek ERDF assistance at all. However, some increase in resources is in fact perceived and achieved in that interest payments on loans are reduced and a small benefit is won for the rate-payer. Moreover, the grants may also serve to improve public awareness of the activities of the European



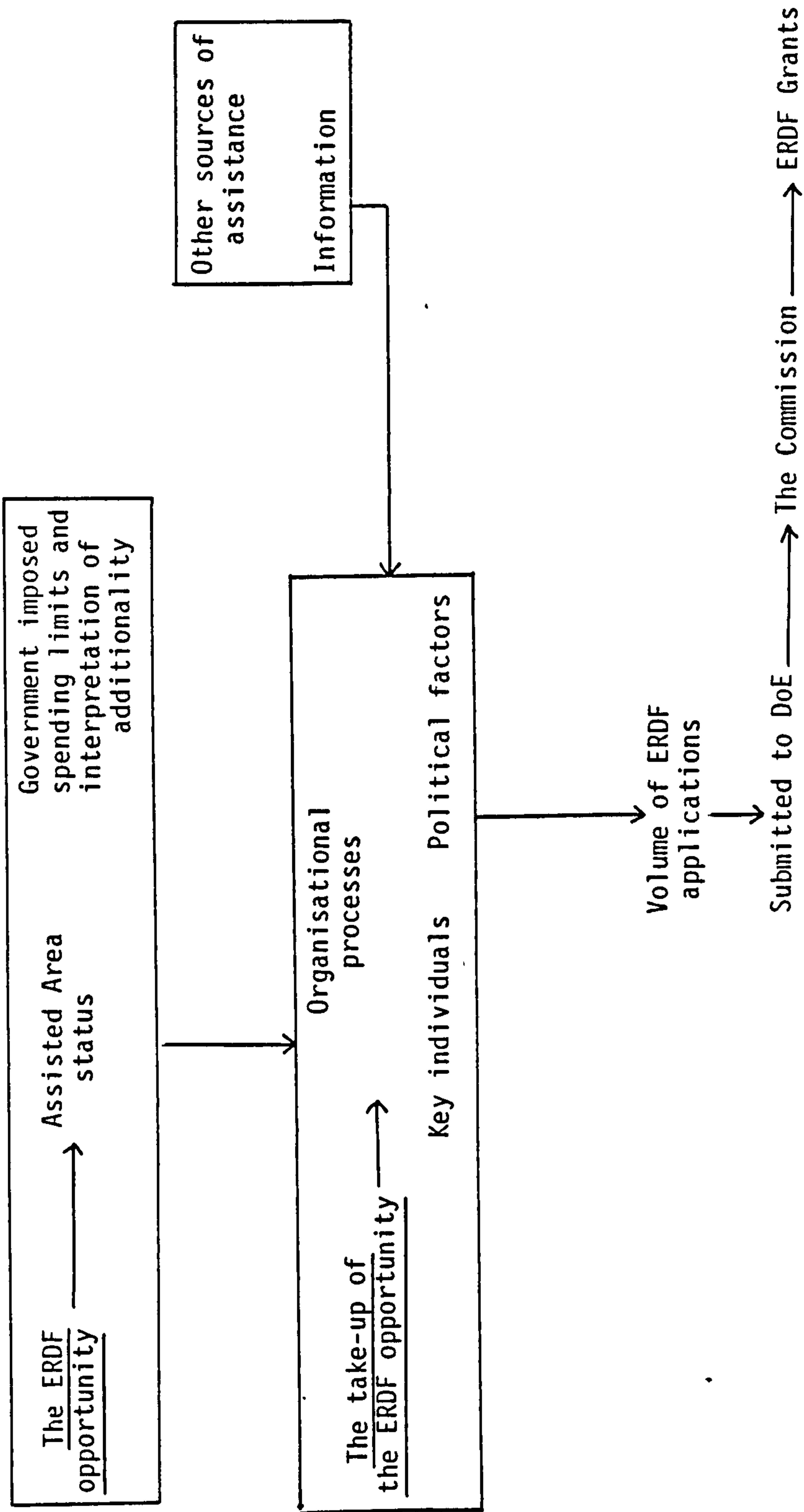


FIGURE 5.8. THE FACTORS AFFECTING THE INVOLVEMENT OF LOCAL AUTHORITIES AND OTHERS WITH THE EUROPEAN REGIONAL DEVELOPMENT FUND.

Community. In fact, a memorandum from the British sections of IULA/CEMR to the recent House of Lords enquiry stated that:

at a time of increasingly severe constraints on the capital and revenue expenditure of local authorities, these grants have played a valuable role in assisting the regeneration of local economies in the eligible areas and they have also contributed significantly to the progressive improvement of the public's perception of the European Community (House of Lords, 1988, p84).

Moreover, there is also some evidence that the ERDF also affects the nature if not the volume of expenditure within problem regions. In fact, given the problem of additionality this is perhaps all the ERDF can hope to achieve at the local level. Therefore, its main role should be to act as a catalyst for the concentration of other forms of expenditure on particular problems and problem areas. Christopher Beazley, the MEP for Plymouth and Cornwall, has suggested that:

by themselves the individual Funds (including the ERDF) or the Funds co-ordinated into programmes cannot possibly overcome regional difficulties ... if the Community is playing a role in a particular region this is an encouragement to other industries and perhaps to government to add their own funding (House of Lords, 1988, p81).

This brings our analysis of the ERDF to a conclusion, although we shall return to it again in the final Chapter. The study now concentrates on the implementation of the European Social Fund. It begins by outlining a number of the Fund's "operational" objectives and the role of the European Commission.

## CHAPTER 6: THE OBJECTIVES OF THE EUROPEAN SOCIAL FUND AND THE ROLE OF THE EUROPEAN COMMISSION IN IMPLEMENTATION.

### 6.1. INTRODUCTION.

The previous three chapters have considered the implementation of the European Regional Development Fund, examining the roles of DG XVI at the Commission, the UK national government and the applicants for ERDF grants at local level. In Chapters Six, Seven and Eight we turn to a parallel examination of the European Social Fund (ESF). The present Chapter outlines the major "operational" objectives of the ESF. It then concentrates on the role of the Directorate General for Employment and Social Affairs (DG V) of the European Commission. Subsequently, Chapter Seven examines the role of the UK Government in policy implementation and assesses whether the objectives of the ESF are achieved in the UK. Finally, Chapter Eight provides a "bottom-up" view of the implementation process by means of a case-study of the activities of the ESF in South West England.

This study focuses on the Fund's role as a further instrument of Community regional policy. It should be emphasised at the outset that the ESF's major purpose is to create jobs and provide vocational training throughout the Community. However, as Chapter Two demonstrated, the Fund has also become an important element of the Community's regional development efforts. This Chapter begins by outlining the objectives of the ESF and follows this with an examination of how the European Commission attempts to ensure that these objectives are delivered.



## 6.2. THE OPERATIONAL OBJECTIVES OF THE ESF.

This study concentrates on the objectives of the Fund between the most recent reform in 1983 and the end of 1987. This period coincides with the period in which data on the allocation of grants are available on a regional basis in the United Kingdom. The discussion considers the following four "operational objectives":

1. the geographical concentration of ESF assistance;
2. the concentration of assistance on young people under 25;
3. the aim of helping small and medium-sized enterprises;
4. the objective of encouraging innovatory vocational training projects;

### 6.2.1. The geographical concentration of ESF assistance.

The concentration of ESF grants in the regions with the highest rates of unemployment and lowest per capita GDPs is an explicit aim of the ESF. The Council Decision setting out the tasks of the Fund (Council Decision 83/516/EEC) allocated 40% of available resources to what are known as the "absolute priority regions" or "least-favoured areas"; namely Greece, the French Overseas Departments, Ireland, the Mezzogiorno of Southern Italy, Northern Ireland and Greenland (until it left the Community in 1985). These areas are characterised by high unemployment and/or GDP less than 70% of the Community average. Following the accession to the Community of the two Iberian countries in 1986 the list was extended to include parts of Spain and all of Portugal and the proportion of Fund resources guaranteed to the absolute priority areas was increased to 44.5% (Council Decision 85/568/EEC).

Apart from this concentration on designated less-favoured areas, the Council Decision also gives priority to certain areas experiencing industrial and sectoral restructuring and other regions of high and/or long-term unemployment. The former are those assisted under either the old non-quota section of the ERDF or Article 56 of the ECSC Treaty (Treaty of Paris, 1953). The latter were defined according to a statistical index based on low per capita GDPs and high overall and youth unemployment rates. However, no attempt has been made to quantify the proportion of assistance which the Fund should direct towards these areas. The main reason for this is that both the Commission and the member governments have preferred to maintain the spatial flexibility of the sectorally-orientated ESF.

The Commission suggests a number of reasons why a concentration of spending on these regions is desirable. Firstly, the spatial concentration of assistance is likely to increase the effectiveness of Fund assistance. Grants spread thinly over a large area of the Community are likely to be less beneficial than resources which are focussed explicitly on the regions with the highest rates of unemployment. Secondly, spatial concentration is justifiable on the grounds of "Community solidarity" towards those regions where the problems of unemployment are most severe. Finally, focussing of resources is appropriate because the areas with lower unemployment and high GDP are not actually in need of Fund assistance. Sufficient resources are available in these areas to fund adequately the necessary training and job creation measures

(Commission, 1986c).

The European Parliament has on occasions expressed its support for this objective. For example, a 1987 Parliamentary report suggested that:

unless both the ESF budget as a whole and the percentage earmarked for the absolute priority areas are substantially increased, thereby enabling the less-developed regions to put their limited resources to far more effective use, the Fund will not fulfill its potential as a major instrument in the fight against unemployment" (European Parliament, 1987, p8).

The main mechanisms for effecting this geographical concentration are the annual Commission Guidelines. Many of the schemes to which the Commission will give priority under these Guidelines are limited to either the absolute priority regions or the other designated priority areas. However, it should be emphasised that other Guidelines have no regional limitations and any part of the Community is able to receive ESF assistance.

#### 6.2.2 The concentration of assistance on young people under 25.

A second explicit objective of the ESF is that resources should be concentrated on schemes which are likely to help young people under the age of 25 to find permanent employment. In fact the Council Decision controlling the Fund states that in any one year at least 75% of aid should be directed to people in this age group. This quantification of an objective is to be welcomed from the point of view of measuring the effectiveness of the Fund in achieving its objectives. In particular, the ESF aims to assist those young people "whose chances of employment are especially poor, in particular because of a lack of



vocational training or inadequate training and those who are long-term unemployed" (Council Decision 83/516/EEC, Article 4).

This concentration on young people reflects the particularly high rates of unemployment among those in this age-group, especially in many of the least-favoured areas. The overall unemployment rate among Young People under 25 in 1986 was 23%, more than double that of the workforce as a whole. The most severe rates of youth unemployment are found in Spain where the rate in 1986 was 46.9% in the country as a whole and Italy, where it was 33%. In certain regions these rates were substantially higher. In Andalusia in Southern Spain, for example, 61.8% of people in this age group were unemployed. In Calabria in Italy the rate was 53.8% and in Northern Ireland it reached 29.6% (Commission, 1987b).

In consequence, the Guidelines published annually by the Commission have placed emphasis on the need to train young people, particularly those under 18 seeking employment for the first time and others either without qualifications or whose qualifications have proved to be inadequate. The Guidelines prioritise schemes which train young people for jobs involving new technology.

#### 6.2.3. The aim of helping small and medium-sized enterprises.

The objective of encouraging the development of small and medium-sized businesses is a further overt aim of the ESF. This is linked particularly to the introduction in these organisations of new technologies. The Council Decision on the "tasks of the European Social Fund"

indicates that:

the Fund must make a special effort to develop employment, particularly in small and medium-sized undertakings, with a view to modernising management or production or applying new technologies (Council Decision, 83/516/EEC, Preamble).

The emphasis on small and medium-sized firms reflects the wider Community objective of assisting this growing sector of the European economy. Moreover, this aim has clear regional implications related to the current priority of EC and other regional policies of promoting "indigenous development" within problem regions and particularly the potential of the small-firm sector. For example, we have already seen how Article 15 of the 1984 ERDF Regulation attempts to encourage small businesses. Furthermore, in 1984 the Commission formed a Task-Force within the Directorate General for the Internal Market and Industrial Affairs (DG III) in order to promote the development of small and medium-sized enterprises. In this case, there is no quantification of the proportion of the ESF which should assist small firms, reflecting that this particular aim is more peripheral to the activities of the Fund than those outlined above.

#### 6.2.4. The aim of encouraging innovatory projects.

A further aim of the ESF is that it should encourage the dissemination of new and original methods of vocational training and the Council Decision sets aside up to 5% of Fund resources for encouraging innovatory projects. Thus, in this case, we do have a bench-mark against which to measure the effectiveness of the Fund in achieving its aims. The Commission Guidelines have stated that these schemes should "test new approaches to content, methods or

organisation of operations eligible for Fund assistance" (Commission, Decision 86/221/EEC, Article 5).

### 6.3. THE ROLE OF THE EUROPEAN COMMISSION.

#### 6.3.1. Organisational structure of DG V.

The administration of the ESF in the Commission is the responsibility of the Directorate General for Employment and Social Affairs (DG V). This DG is concerned with a variety of policy areas related to education, employment and training. One of its functions is the administration of the ESF. Figure 6.1 illustrates the overall structure of DG V at the time of the current research and of the particular Directorate concerned with the ESF, which was itself divided into four divisions. These were: young people under 25; adults over 25; innovatory projects; and administration. In the course of this research, interviews were carried out with the three British officials working in this ESF section, one from each of the first three Divisions listed above. Each Division follows the same basic procedure for examining submitted applications.

#### 6.3.2. Decision-making processes.

The process by which applications are examined and judged by the Social Fund Directorate of DG V can be divided up into the following seven basic stages:

- a. arrival of applications (by 21st October);
- b. initial examination of applications;
- c. divisional meetings;
- d. production of "blue note" - the provisional Commission decision (December);
- e. ESF Advisory Committee meeting (February);
- f. application of linear reduction;
- g. the formal Commission decision (by 31st March).



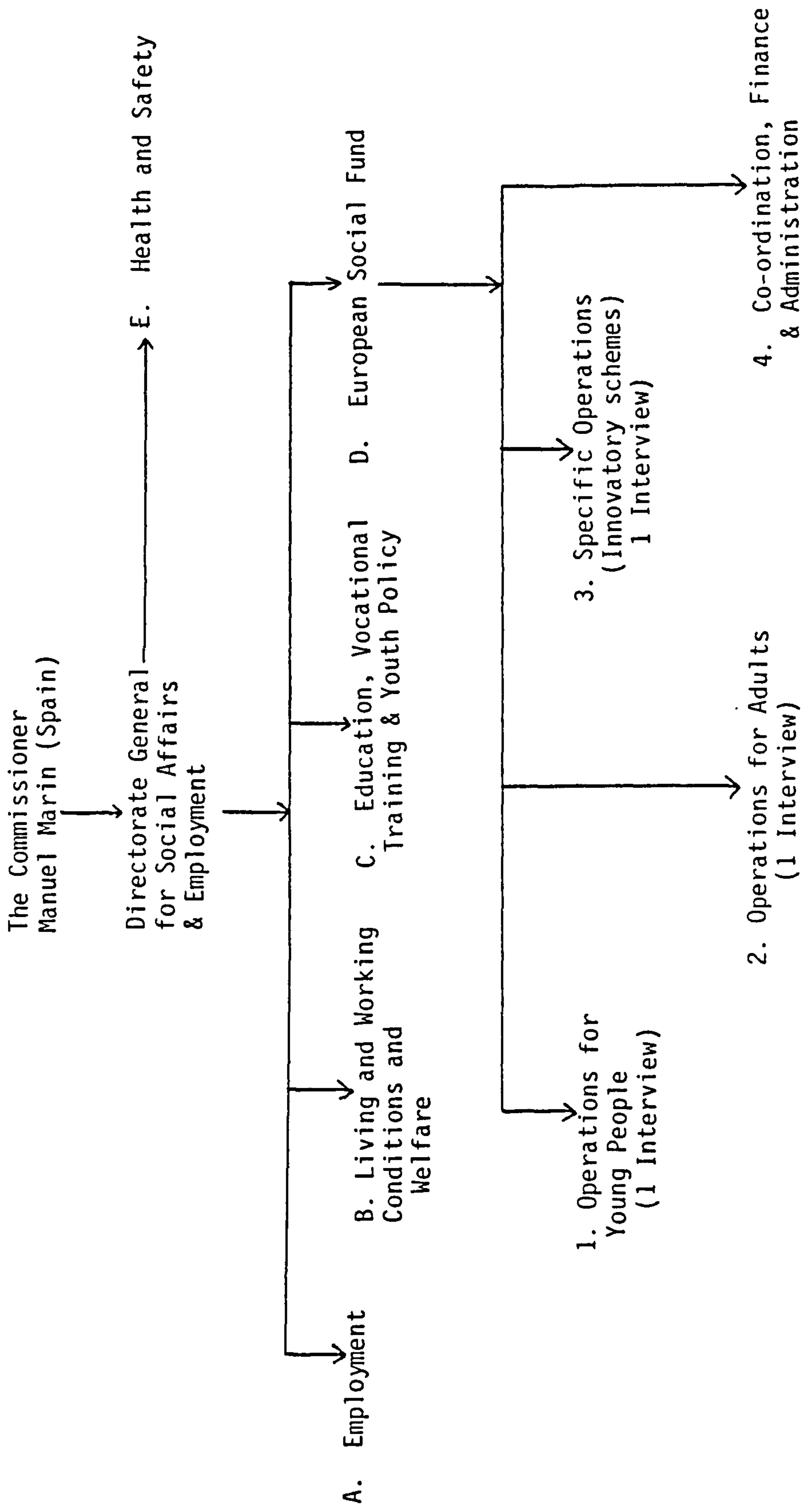


FIGURE 6.1. THE ORGANISATIONAL STRUCTURE OF THE DIRECTORATE GENERAL FOR SOCIAL AFFAIRS AND EMPLOYMENT, DG V.

a) Applications.

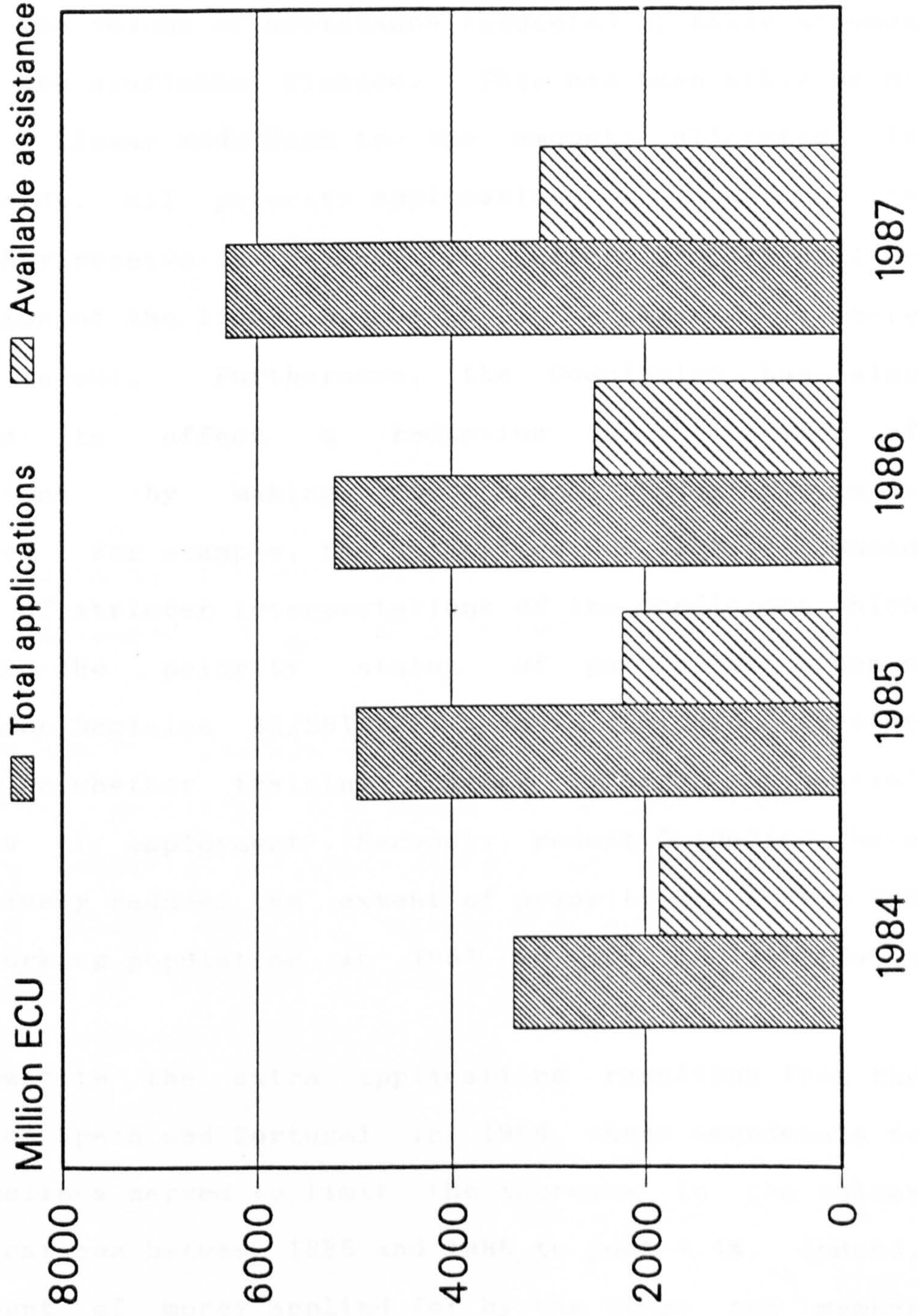
The European Social Fund, unlike the ERDF, has a single annual deadline for applications from the member states. All schemes must be received by the Commission by the 21st October. In recent years the number and volume of applications has been increasing substantially (see Figure 6.2), reflecting both a generally worsening employment situation throughout the Community as well as increasing awareness of the opportunity presented by the ESF (Commission, 1986g).

Both the very large numbers of individual applications and the substantial overbids for ESF assistance are causing the Commission a number of problems. Firstly, the number of applications which must be examined in a comparatively short time between October 21st and late December, when the Commission takes the provisional decisions on the award of grants, means that individual projects can only be given a very brief assessment. For example, an interviewee in the Young Persons Division estimated that in 1986 he examined about 800 applications in this two month period. Inevitably, the staff of DG V make mistakes during this hectic period (interview with official of Young Persons Division of ESF Directorate). Consequently, the Commission encourages member governments to ensure that submitted applications are concise and clearly worded. A second problem results from the large disparities between the amounts of Fund assistance requested and the relatively meagre resources available. The task of choosing between a large number of eligible applications to enable total grants awarded to match the money available is extremely



FIGURE 6.2.

# INCREASES IN ESF APPLICATIONS 1984-1987.





problematic.

In order partially to overcome these problems, the Commission decided in 1983 that all applications classified as priority schemes under the Guidelines would be funded even if the volume of assistance requested by these schemes exceeded the available finance. This has been achieved by applying a linear reduction to the amounts allocated. In other words, all priority applications are funded but the amount they receive is reduced by a uniform proportion (the calculation of the linear reduction is explained in more detail below). Furthermore, the Commission has also attempted to effect a reduction in the number of applications by making the annual Guidelines more exclusive. For example, the Guidelines for 1986 introduced a number of stricter interpretations of the conditions which determine the priority status of particular schemes (Commission Decision 85/261/EEC). These included a greater emphasis on whether training schemes offered "substantial prospects of employment". Secondly, recent Guidelines have progressively reduced the extent of priority areas from 64% of the working population in 1987 to 50% in 1988 (Table 6.1).

Despite the extra applications resulting from the arrival of Spain and Portugal in 1986, these amendments to the Guidelines served to limit the increase in the volume of applications between 1985 and 1986 to just 4.4%. Indeed, the amount of money applied for by the other ten member states actually decreased by 14%. However, in 1987 the increase in assistance requested was again substantial (Figure 6.2). In fact, available funds now accounted for

less than 50% of the amounts applied for. As a result, the 1988 Guidelines have become still more exclusive and the regional concentration of the Fund is now focussed on 50% of the Community's working population. Moreover, some guideline points have been dropped altogether and other criteria have been made more strict.

TABLE 6.1. REDUCTIONS IN THE EXTENT OF ESF PRIORITY AREAS; 1984-1988.

Year	% of working population in		
	Abs.priority regions	other pri- ority regions	Total
1984	11	53	64
1985	11	53	64
1986 (1)	17	40	57
1987	17	39.5	56.5
1988	17	33	50

Note: 1) Spain and Portugal joined the Community in 1986.

Source: Commission (1986g, 1988a); Department of Employment Guidance notes.

As applications are received by DG V they are filed on computer according to the Guideline point under which they are submitted and then divided up into particular Divisions (Young People, Adults and Innovatory). The examination of projects is then begun by the various divisional officials.

b) Examination of applications.

The initial examination of submitted applications by the staff of DG V is in three basic stages. The first is to ensure that applications are admissible under the rules controlling the Fund, which provide that a number of formal conditions must be met as regards the drafting and presentation of applications (Commission, 1988a). These include the necessity that every section of the application

form should be answered and that the scheme should apply to a single calendar year (the Community's financial year). Despite the apparent simplicity of these rules, some applications are regularly judged as inadmissible. In 1986, for instance, 60 applications (0.8% of the total) were not accepted by the Commission for this reason (Commission, 1988a).

The second stage of the project examination process ensures that applications are eligible under the Council Decision and Regulation which govern the Fund. In order to be eligible for assistance, applications must relate to categories of persons listed in the Council Regulation (see Chapter 2). In addition, the expenditure covered by the application must relate to the particular costs outlined in the Regulation, such as the incomes of the persons undergoing training, the preparation and administration of the training schemes and the subsistence expenses of the trainees.

The vast majority of ESF applications are formally classified as eligible once these criteria have been examined. Indeed, in 1985 and 1986 only 8.5% and 3.9% respectively of all applications were judged ineligible (Commission, 1986g, 1988a). This reflects the expertise built up in the national ministries responsible for administering ESF applications, ensuring that submitted applications are formally eligible under the ESF rules.

The final stage of DG V's initial assessment of projects is to assess whether the schemes should be accorded priority status under the annual Guidelines. Table 6.2 summarises the Guidelines which applied to applications for



training schemes being carried out during 1987. Because the ESF is heavily over-subscribed this stage is the most crucial. Only applications classified as priority are guaranteed to receive assistance. Each particular Guideline point has a number of quantitative criteria which must be met. For example, schemes submitted under Guideline 2.1 must meet the following conditions:

- Guideline 2.1: - vocational training;  
- under 18's;  
- at least 800 hours;  
- work experience of between 200 and 400 hours;  
- substantial prospects of employment (Commission, 1987d).

Some of these criteria are relatively easy to assess and to quantify. Failure to meet any one of them will mean the scheme will not be awarded priority status. On the other hand, it is very difficult to quantify the extent to which a particular training scheme offers "substantial prospects of employment" to its trainees. Even the term "vocational training" is open to varying interpretations. The Court of Auditors has criticised this vagueness, pointing out that:

there is no common definition of a whole series of concepts which are fundamental to the management of the Fund (in particular the concepts of "threat to employment", "under-employment", "small and medium-sized undertaking", "vocational training" and "substantial prospects of employment" (Court of Auditors, 1988, p6).

However, from the Commission's point of view it is important that these criteria are worded in this vague fashion in order to allow the Commission officials some discretion to choose between competing applications for an over-subscribed Fund.

TABLE 6.2: SUMMARY OF ESF GUIDELINES 1987-1989.

PARAGRAPH	GROUP	TYPE OF SCHEME	LIMITED TO PRIORITY REGIONS
2.1	Under 18	Vocational training (800 hours) incl. work experience (200-400 hours).	Yes
2.2	Under 25 with inadequate or unsuitable qualifications.	Vocational training for skilled jobs with new technology	No
2.3	Under 25 jobs.	Recruitment to additional	Yes
2.4	Under 25	Vocational training by local groups in context of expansion local employment opportunities.	No
3.1	People in firms under 500 needing retraining because of new technology.	Vocational Training in new technology	Yes
3.2	Long-term unemployed	Recruitment to additional jobs	Absolute Priority Areas.
3.3	Over 25	Vocational training by local groups in context of expansion of local employment opportunities.	Yes
4.1	-	Operations part of integrated programme involving more than one Community financial instrument.	No
4.2	-	Operations involving bodies in more than one member state.	No
4.3	Workers in industrial undertakings requiring retraining.	Vocational Training linked to restructuring of industrial undertakings because of technological changes.	Yes
4.4	Workers in firms under 500	Vocational training for application of new technology which is the subject of Community Programmes of Research and Development.	No
4.5	Long-term unemployed	Vocational training geared to needs and offering substantial prospects of employment.	Yes

1.6	Women	Vocational training or recruitment jobs in which they are under-represented.	No
4.7.1	Migrant workers and families	Vocational training and language training.	No
4.7.2	As above	Maintain knowledge of mother tongue (Community nationals only)	No
4.8	Disabled people capable of working in open labour market.	Vocational training or job creation.	Yes
4.9	Instructors	Vocational training	Absolute priority Areas
5.	-	Innovatory operations less than 100 persons	No

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Source: Commission Decision 86/221/EEC.



c) Divisional meetings.

Once the various officials have formed an initial opinion on the eligibility status of the submitted applications all officials meet at a Divisional meeting to discuss in general terms the applications submitted to that particular Division. The aim of this meeting is to ensure that officials within the Division are taking a common approach to applying the Guidelines and to discuss any recurring problems arising out of the project examination process (interview with official of Young Persons Division). The divisional meeting then leads to DG V's provisional classification of applications as priority, non-priority or ineligible.

d) Provisional Commission Decision ("blue note").

This list of project classifications is then sent in December to all member states in the form of a "blue note", so-called because it is always printed on blue paper (!). The relevant member state departments, such as the Department of Employment (DE) in the UK, are then able to comment on these provisional classifications and to request amendments. These suggested changes may result from genuine errors made by the Commission officials or they may draw attention to alternative interpretations of the Guidelines. This consultation generally results in changes to a number of classifications from non-priority to priority. Moreover, it illustrates that national governments are closely involved in the decision-making process.

e) ESF Advisory Committee.

In February, the ESF Advisory Committee, which is composed of representatives of national governments,

trade unions and employers, meets to discuss the provisional Commission decisions. Unlike the ERDF Committee, the ESF Committee has no formal authority to block the decisions of the Commission. Before the full Committee meeting a working party examines the Commission's initial classifications and only a small number of marginal cases are presented to the Committee itself. Delegations at this meeting are entitled to request changes to the classifications. However, in the last five years only three or four such requests have been made and in each case the request has been refused by the Commission (interview with official of Young Persons Division). Thus the Committee's ability formally to influence decision-making is minimal.

On the other hand, the Committee does form an important function. Laffan (1983) argues that "the relationship between the ESF Directorate and the Committee is crucial to the operation of the European Social Fund. It provides the Commission with essential information to enable it to administer the Fund". The findings above suggest that this view is an exaggeration of the Committee's importance, but it is certainly true that members of the Committee are generally more familiar than the staff of DG V with national training systems and are better able to judge the applicability in particular countries of the Fund guidelines (on which it is also consulted). The Commission regards it as important to develop agreement and consensus among the delegations on the Committee reflecting that, despite the scope to exercise decision-making power which the Commission clearly possesses, it is dependent nonetheless on member states for the submission of

applications and the implementation of particular schemes. Moreover, the Commission is careful not to pursue a course of action that would lead to strong opposition in the member states.

f) The linear reduction.

Once the ESF Advisory Committee has met to discuss applications and all amendments to project classifications have been made by the Commission, the linear reduction is applied. This is basically a simple process which enables all applications given priority status by the Commission to receive some assistance even if their total value exceeds the assistance available. The ESF's budget is divided into five sections and the linear reduction applied to each section depends on the volume of applications and the assistance available in each category. These are:

1. Young people under 25 in the absolute priority regions;
2. Young People under 25 in all other regions;
3. Adults over 25 in absolute priority regions;
4. Adults over 25 in all other regions;
5. Innovatory projects.

The following example illustrates how the linear reduction works. If the total value of priority applications for projects training young people outside the absolute priority regions is 1000 Million ECU and the available assistance under this budget heading is 900 Million ECU then each member state will have its allocation under this budget heading reduced by 10%. However, the reduction is not applied uniformly to all priority schemes. Certain projects are exempted from a reduction by the ESF Regulation. For example, schemes forming part of an Integrated Development Operation involving more than one



Community financial instrument are automatically exempted. Furthermore, projects which are "particularly dependent on Fund support" are also excluded. However, the Commission allows the member Governments to decide which schemes fall into this category. In the UK, grants to voluntary and charitable organisations have generally been exempted. As a result, the linear reduction for other schemes will, in the hypothetical case above, be slightly more than 10%. Other member states, notably France and Italy, apply the linear reduction equally to every scheme (interview in ESF unit of DE).

Table 6.3 illustrates that in 1985 and 1986 the budget headings concerned with young people were generally not nearly so over-subscribed as those concerned with adults. For example, in 1986 a linear reduction of 60% was applied to priority schemes aimed at the over 25s outside the absolute priority areas. On the other hand, the linear reduction applied to young people in all areas amounted to just 7%. In both 1985 and 1986 all eligible applications for innovatory projects were funded and indeed allocations committed failed to meet the 5% of the ESF set aside for schemes of this kind. This reflects the difficulties involved, from the point of view of authorities within member states, in formulating schemes of this nature (see Chapter 7).

g) The formal decision.

Once these reductions have been applied the formal decision on the allocation of assistance is taken by the Commissioners. Normally this is simply a rubber-stamping exercise of decisions taken by the officials of DG V.

TABLE 6.3. THE OVERSUBSCRIPTION OF THE ESF AND LINEAR REDUCTIONS; 1985-86.

Budget item	% of eligible/priority applications funded			
	1985	1986	linear(1) eligible priority linear(1) reduction	linear(1) reduction
<25 less fav.areas	89	100	0%	7%
<25 other areas	41	74	26%	7%
>25 less fav.areas	48	51	49%	54%
>25 other areas	34	36	64%	60%
innovatory proj.	100	100	0%	0%
Total	49	71	n.a.	n.a.

Note 1) Linear reduction given here is for priority projects only.

Source: Commission (1986g, 1988a).

Over the period from 1980 until 1987, the ESF awarded a total of 15091.2 million ECU to the various Community member states. As Table 6.4 and Figure 6.3 shows, the largest absolute amounts have gone to Italy, the United Kingdom, France and, since 1986, Spain. The largest per-capita shares, however, have gone to small member states such as Ireland, Greece and Portugal which are all classified as absolute priority areas (Figure 6.4). Ireland's per capita share of the Fund over the 1984 to 1987 period was more than four times that of any other member state. This very generous allocation reflects, firstly, Ireland's very small population (3.5 million in 1984) and, secondly, the country's designation as an absolute priority area, which gives it very wide terms of eligibility.

Clearly, the designation of Southern Italy, parts of Spain, all of Ireland, Greece, Portugal, Northern Ireland and the French Overseas Departments as absolute priority areas is a major factor influencing the spatial pattern of spending. Together they receive 44.5 per cent of the ESF. In the absence of formal quotas of assistance, the distribution also reflects the volume of applications being submitted by each member state. However, what other factors affect the amounts received by member states in particular years?

### 6.3.3. Informal quotas.

Unlike the European Regional Development Fund (ERDF), the ESF is not divided up among the member states according to pre-determined national quotas. However, there is some evidence that the Commission, when selecting priority projects, operates a system of politically acceptable



FIGURE 6.3.

# THE DISTRIBUTION OF ESF ASSISTANCE IN THE EC, 1984-1987.

TOTAL=9683.6 MILLION ECU

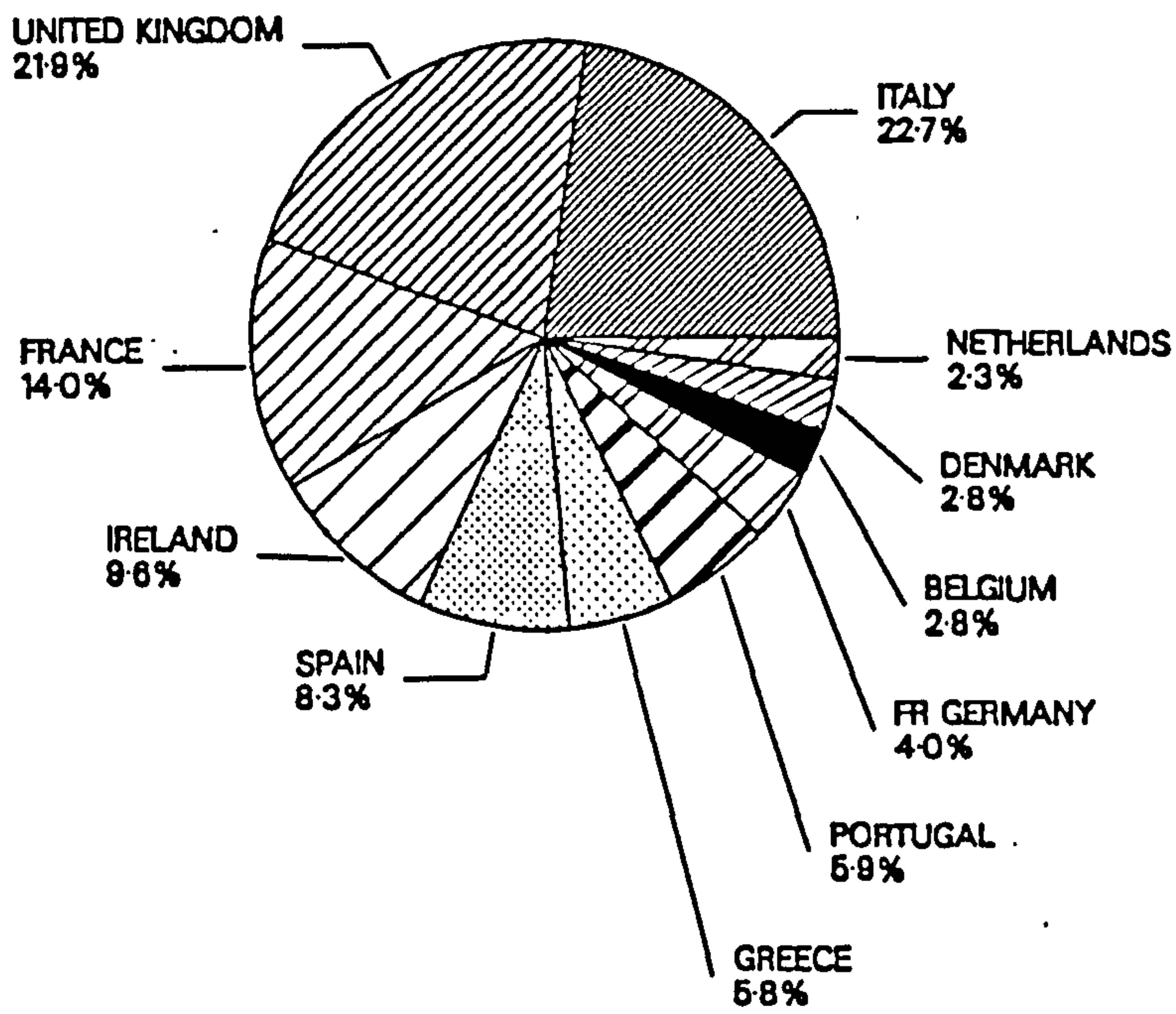


TABLE 6.4. DISTRIBUTION OF ESF GRANTS AMONG THE MEMBER STATES; 1980-87.

Member state	% of annual total							Per cap 1984-87 (ECU)	
	1980	1981	1982	1983	1984	1985	1986		1987
Belgium	2.9	2.3	1.6	1.7	4.9	4.3	1.2	1.8	26.7
Denmark	1.9	2.4	1.8	2.2	5.1	2.1	3.8	1.1	52.5
West Germany	10.6	7.4	6.0	5.6	4.4	4.6	1.8	5.1	6.2
Greece (1)	-	3.0	3.9	6.4	5.0	6.4	5.7	5.8	56.3
Spain (2)	-	-	-	-	-	-	14.1	14.4	21.1
France	19.2	14.1	17.4	14.7	11.5	17.2	15.0	12.3	24.4
Ireland	7.8	10.6	9.5	9.7	11.8	12.4	9.0	6.6	252.0
Italy	32.3	34.1	29.7	28.9	22.4	26.4	22.0	20.6	38.1
Luxembourg	0.1	0.1	0.0	0.1	0.0	0.0	0.1	0.1	21.9
Netherlands	1.8	1.3	1.1	1.3	2.8	2.0	2.2	2.2	15.2
Portugal (2)	-	-	-	-	-	-	8.9	11.3	56.8
United Kingdom	23.3	24.9	29.0	29.5	32.1	23.7	16.4	18.8	37.1
Annual EC total	1014.2	1505.9	1855.1	2524.1	-	-	-	-	-
(million ECU)	1000.1	1876.2	2228.8	3086.8	-	-	-	-	-

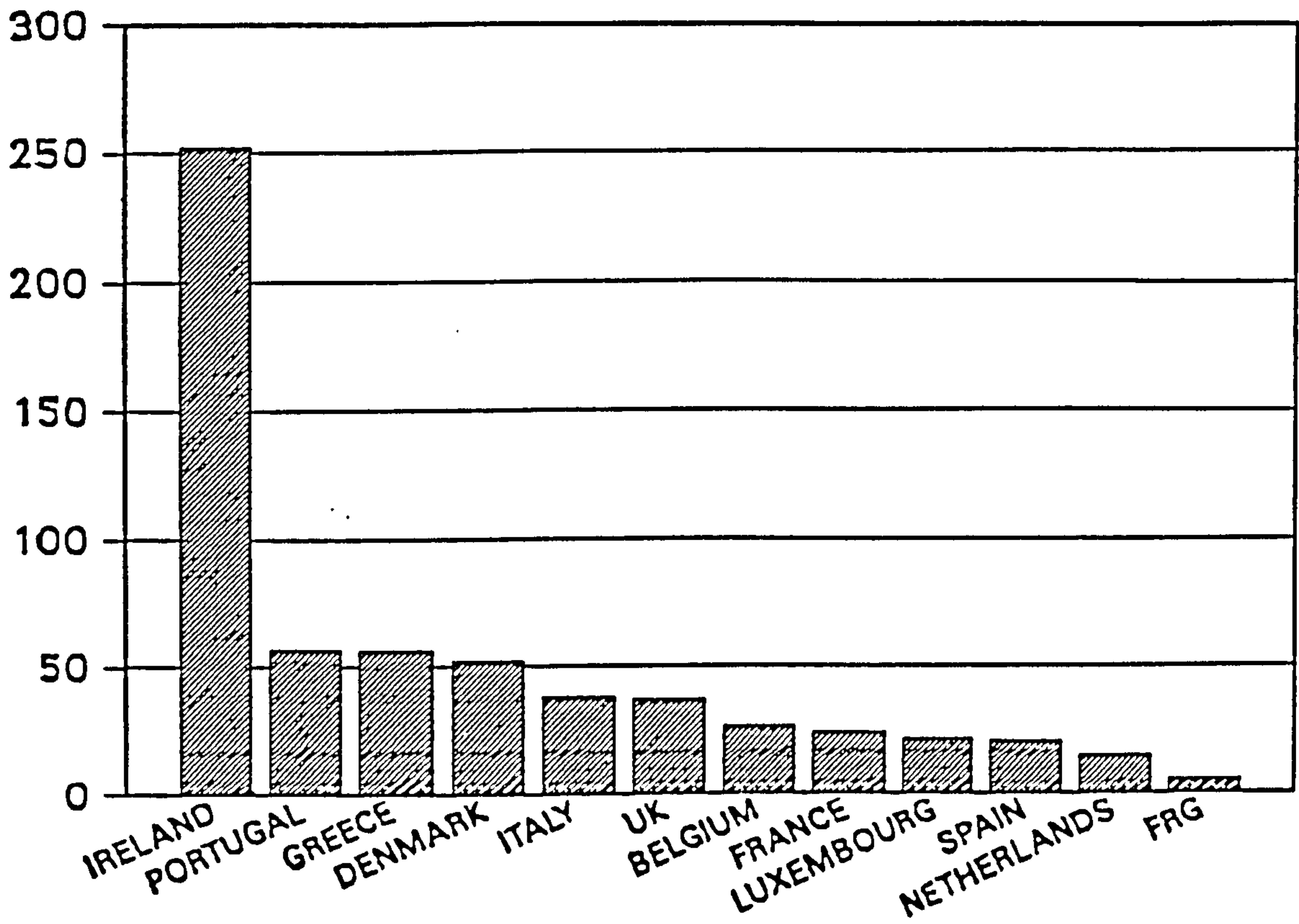
Notes 1) Greece entered the Community in 1981.

2) Spain and Portugal joined in 1986.

Sources: Various ESF Annual Reports.  
House of Lords (1988)

FIGURE 6.4.

# THE DISTRIBUTION OF THE ESF PER CAPITA IN THE EC





informal quotas (interviews with official of DE in London and representative of young persons Division of ESF Directorate in Brussels). The shares of the Fund shown in Table 6.4 offer partial support for this view. The rank order of recipient countries has generally been: Italy, UK, Spain (since 1986), France, Ireland or Portugal and then Greece, albeit there are one or two exceptions. Member states obviously have a view on what a "fair" share of the Fund may be and serious questions would be raised, either formally in the ESF Advisory Committee or informally in discussions between national governments and the Commission, if countries received unusually high or low shares. For example, the Department of Employment in the United Kingdom believes Britain's "fair" share to be between 19% and 20% (interview with official of DE).

However, empirical evidence on the existence of informal quotas is not conclusive. Table 6.5 shows that in 1985 and 1986 at least, the member states submitting the most applications generally received the highest shares of the Fund. On the other hand, the proportions of applications accepted for each member state do vary substantially (Table 6.5). In 1986, for example, the proportion of assistance received ranged from 34.8% of amounts applied for in the UK, to 64.8% in Greece. It is difficult to see why success rates should vary so substantially from country to country and there is perhaps some support here for the notion of informal quotas.

The Commission's main weapon for manipulating the amounts member states receive is the annual Guidelines. These are sufficiently imprecise in order to allow the staff

TABLE 6.5. SUCCESS RATES FOR ESF APPLICATIONS IN 1985 AND 1986.

Member state	1985			1986 (Million ECU)		
	Aid applied for (rank)	Aid awarded (rank)	% (1)	Aid applied for (rank)	Aid awarded (rank)	% (1)
Belgium	170.6 (8)	96.2 (7)	56	68.9 (11)	30.2 (11)	43
Denmark	188.6 (7)	49.7 (8)	26	85.2 (10)	47.8 (10)	56
FR Germany	428.9 (4)	104.7 (6)	24	327.5 (7)	94.9 (8)	30
Spain	-	-		581.4 (4)	355.9 (4)	61
Greece	205.2 (6)	140.2 (5)	68	220.7 (8)	143.1 (7)	65
France	1168.0 (1)	388.0 (3)	33	728.6 (3)	378.8 (3)	52
Ireland	413.2 (5)	269.1 (4)	65	446.6 (5)	240.2 (5)	54
Italy	1098.3 (3)	601.1 (1)	55	1096.4 (2)	554.5 (1)	51
Luxembourg	2.9 (10)	0.9 (10)	31	5.0 (12)	2.4 (12)	48
Netherlands	142.8 (9)	45.7 (9)	32	120.7 (9)	68.4 (9)	57
Portugal	-	-		333.2 (6)	223.7 (6)	67
United Kingdom	1167.8 (2)	532.6 (2)	46	1191.6 (1)	414.4 (2)	35
EC Total	4985.6	2228.0	45	5205.6	2554.5	49

Note. 1) % of assistance applied for which was awarded.

Source: Commission (1986g, 1988a).

of DG V discretion over which projects to award priority status and hence maintain when necessary allocations at politically acceptable levels (Croxford and Wise, 1988).

#### 6.3.4. The role of the Commissioner.

A further factor that seems to be important in determining who gets what from the ESF is the nationality of the Commissioner with responsibility for the Directorate General for Social Affairs and Employment (DG V), which includes the ESF. This is a contentious point since the Commissioners, although nominated by national governments, are required to be servants of the Community rather than the national interest. Nevertheless, the shares of the Fund shown in Table 6.4 do point to a certain degree of influence. The recent Commissioners have been:

Ivor Richard (UK), 1981-1984;  
Peter Sutherland (Ireland), 1985;  
Manuel Marin (Spain), 1986 onwards.

During the period in which Ivor Richard was the responsible Commissioner, the UK's share of the Fund consistently exceeded 29 per cent. Indeed in 1983 and 1984, Britain's share surpassed that of Italy as it has done neither before nor since. In 1985, when Peter Sutherland, the Irish Commissioner, was in temporary control of DG V, Ireland received its highest ever share of the ESF. Finally, the influence of the latest Commissioner, Manuel Marin of Spain, can be seen in the 1988 Commission Guidelines. A change in the statistical index used to calculate the normal priority regions for ESF grants led to a number of Spanish regions being added to the list. On the other hand, regions in all the other member states lost priority status in that year. In the UK, for example, parts



of Greater Manchester, West Yorkshire and Lancashire were among the areas deleted from the list (Commission, 1987e).

Exactly how the nationality of the Commissioner responsible for the ESF may influence the pattern of spending is not easy to say. However, Commissioners are, in the final analysis, national politicians who will normally resume political careers in their own countries and evidence of having promoted their own member states' interests in the Community may be of use to them in these future careers. On the other hand, the Commissioners work as a team, making decisions by consensus. Therefore the generous allocations to the Commissioners' home countries may simply reflect a conscious or unconscious feeling on the part of the Commission staff controlling the ESF that the Commissioner would like to see his own country benefitting from the Fund (Croxford and Wise, 1988).

#### 6.4. CONCLUSIONS: ELEMENTS OF TOP-DOWN CONTROL.

Having examined the decision-making processes with which the Commission attempts to put the Fund's objectives into operation, the discussion concludes by concentrating on some conceptual implications of the Commission's role in the implementation of the ESF. Proponents of a "top-down" approach to studying implementation are concerned to identify those elements of the implementation system which allow policy makers who wish to achieve certain objectives to control the activities of other actors involved in putting policy into effect. This Chapter, in common with Chapter Three, has adopted just such a view of the implementation process. Consequently, the discussion now

goes on to detail the elements of control which the European Commission is able to exert in the implementation of the ESF. In subsequent chapters, the discussion will focus on aspects of the implementation process which are not controlled by the Commission, but are the subject of negotiation and bargaining between the Commission and the national governments.

Laffan argues that the administrative control exercised by DG V "goes beyond the mere technical distribution of resources based on policy criteria developed elsewhere" (Laffan, 1983, p407). This control takes a number of forms. Firstly, it is represented by the ability of the Commission to determine the annual Guidelines on the basis of which projects are classified as priority or non-priority. This represents a concession to the Commission by the Council (Council Decision 83/516/EEC) that has not occurred in the case of the ERDF. The Guidelines enable the Commission (in consultation with the ESF Advisory Committee) to define the types of scheme and the particular areas which it will favour. Furthermore, the absence of formal quotas in the allocation of the ESF means that the Commission plays a crucial role in judging, on the basis of its own Guidelines, the relative merits of competing applications. On the other hand, as we have seen, this authority is constrained by the need to allocate "fair shares" to the various member states.

The Commission's ability to exercise control over the financial aspects of the ESF is somewhat less apparent. The Commission undeniably has a degree of control over the payment of grants to successful applications. Claims for

payment of the 50% of committed expenditure which is not paid when the Decision to award assistance is made must be claimed within ten months of the completion of the project. These payment claims are scrutinised closely by DG V to ensure that the scheme has gone ahead as originally planned in the original application. Moreover, the Commission is entitled to carry out "spot-checks" and audits in the member states to ensure that ESF money has been spent as intended. However, these audits are comparatively few. Indeed, in 1986 only 174 projects out of 5087 which were submitted were examined in this way by DG V (Commission, 1988a). However, other audits are carried out by the Directorate General for Financial Control (DG XX) which also examines a sample of applications in order to identify financial irregularities. Moreover, the Commission can withhold the payment of assistance or claim back payments which have previously been made if any of this scrutiny reveals irregularities. However, national authorities also play an important role in controlling ESF finance (see Chapter 7). A number of member states, notably the United Kingdom, ensure that ESF aid is paid initially to the national treasuries in order that Community finance can be monitored and controlled in the same fashion as normal public expenditure. Moreover, large proportions of aid are directed to national government schemes.

Furthermore, the Commission does not operate in a political vacuum when putting policy into effect. Despite the apparent ability of the Commission to control the operation of the Fund, it is nevertheless in frequent close consultation with the member states, either formally in the



ESF Committee or informally in discussions with the national ministries during the decision-making process. The pervasive influence of the member states is felt in the allocation of Fund resources among the countries of the Community according to what appear to be "informal" quotas and, arguably, in the influence of national politics on the nationally appointed Commissioners. At all stages of implementation, negotiations between Commission and national officials are crucial to the operation of the Fund. Moreover, both national and Commission representatives place strong emphasis on the need to work towards consensus and compromise on how the Fund operates and on the nature of the assistance which it provides.

The next Chapter examines in more detail the role of the UK national Government in the process of implementation. The discussion will focus on the control exerted by the Government over the operation of the Fund and provide a national perspective on the negotiations and consensus building that takes place between national and Community levels in the ESF's implementation structure.

## CHAPTER 7: THE IMPLEMENTATION OF THE ESF IN THE UNITED KINGDOM AND THE ROLE OF THE NATIONAL GOVERNMENT.

### 7.1. INTRODUCTION.

This Chapter is divided into two sections. The first assesses the extent to which the operational objectives of the ESF are achieved in the UK. The second examines the role of the UK government in the ESF's implementation structure and hence in the delivery of these objectives. It is directly comparable with Chapter Four which carried out a similar analysis of national government involvement in the implementation of the ERDF.

### 7.2. THE ACHIEVEMENT OF ESF OPERATIONAL OBJECTIVES IN THE UK.

Chapter Six identified a number of clear objectives of the Fund and these are examined below:

1. The geographical concentration of Fund assistance;
2. The concentration of assistance on Young People under 25;
3. The aim of helping small and medium-sized enterprises;
4. The aim of encouraging innovatory projects.

#### 7.2.1. The geographical concentration of ESF assistance.

In order both to focus resources more precisely on the neediest areas and to reduce the numbers of priority applications, the Commission has altered in recent years the threshold beneath which areas must fall in order to be classified as priority areas. Figure 7.1 illustrates the reductions to the priority areas map since 1984 in the UK. However, no specific proportion of the Fund has been set aside for projects in these areas.

Table 7.1 and Figure 7.2 show the broad geographical



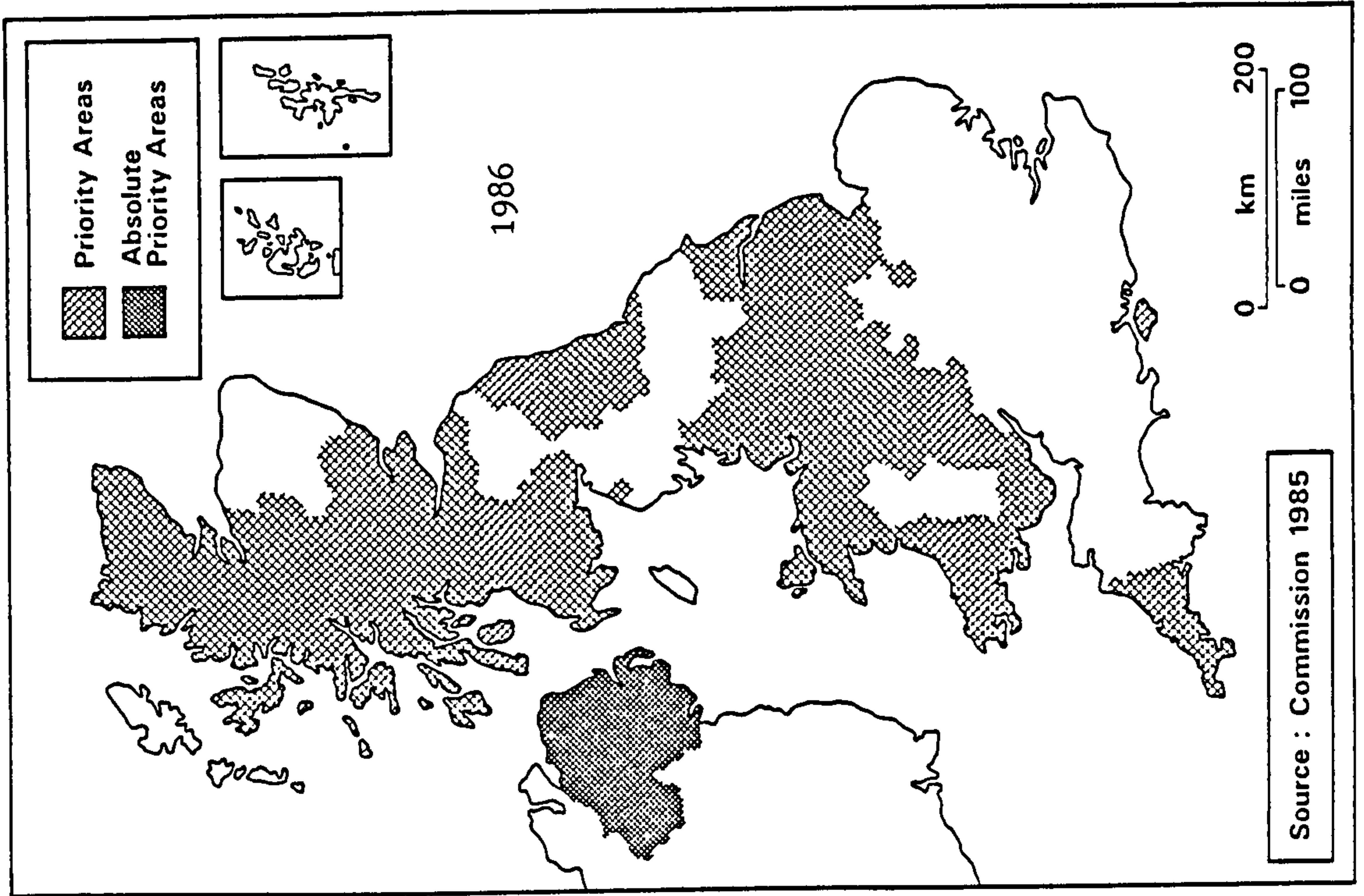
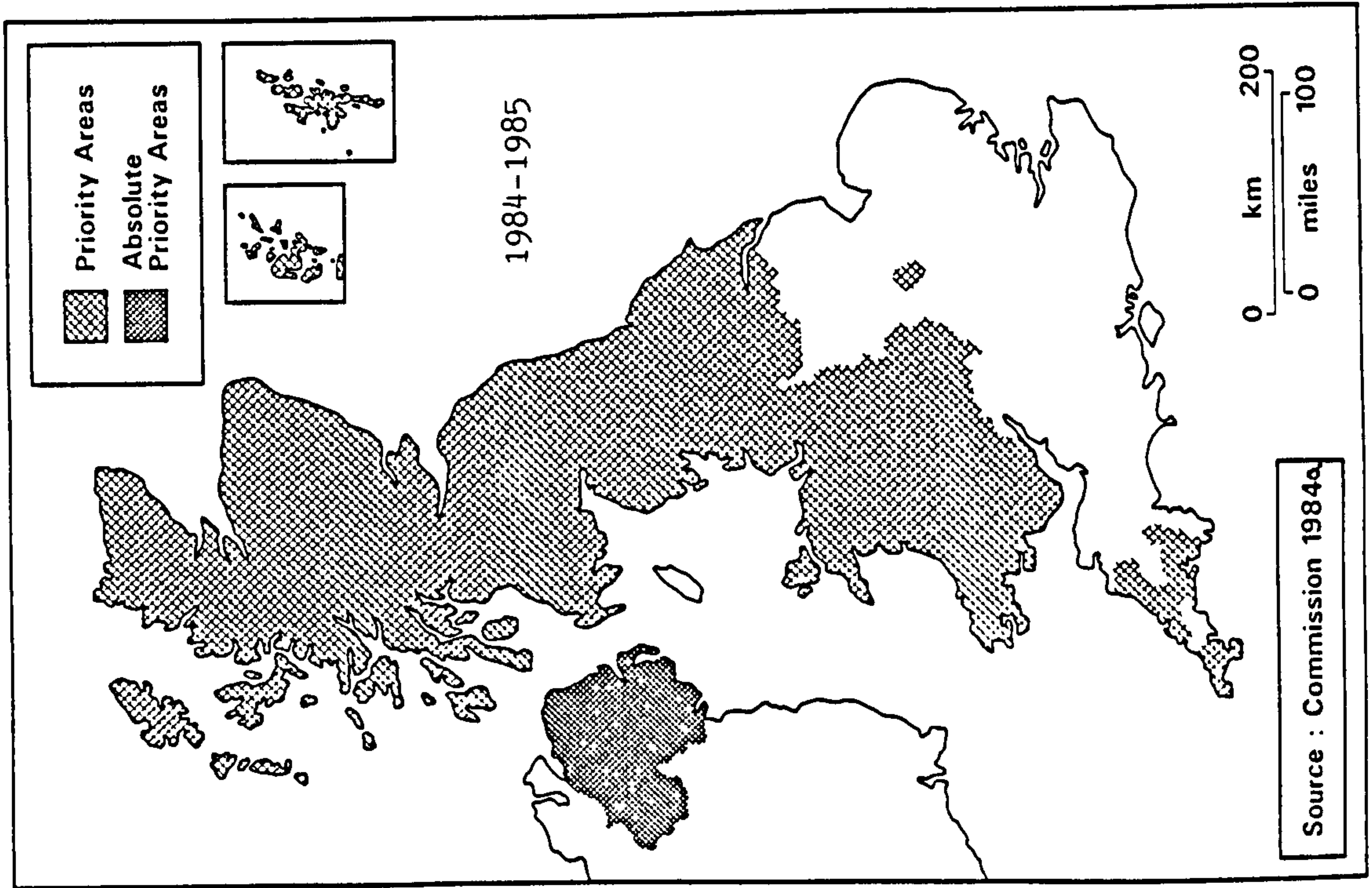


FIGURE 7.1.a) REDUCTIONS IN ESF PRIORITY AREAS IN THE UK, 1984-1986



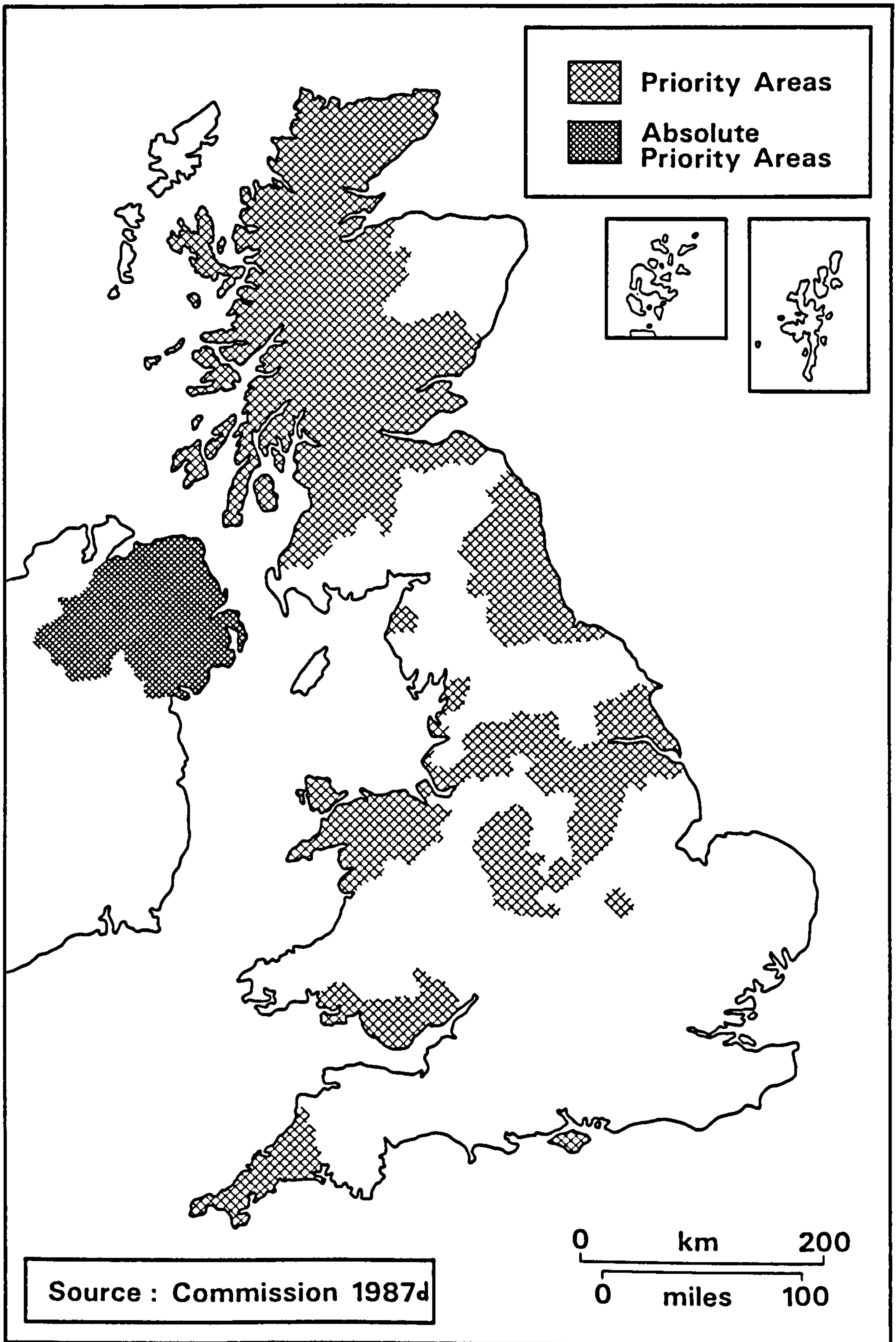


FIGURE 7.1.b) REDUCTIONS IN ESF PRIORITY AREAS, 1987.

pattern of ESF assistance among the UK regions from 1984 until 1987 and the assistance allocated to national schemes. The first point to make is that approximately 61% of assistance to the UK has been directed towards schemes run by central government agencies such as the Manpower Services Commission, the Industrial Training Boards and the Nationalised Industries. These grants are in many cases awarded for the proportion of spending taking place in priority areas. In reality, however, although the schemes themselves are providing training in the areas with the highest unemployment rates (as well as in the rest of the country), the ESF assistance contributes to the overall costs of national schemes in a spatially unspecific way and the impact of the ESF aid on the priority areas is diluted.

Moreover, the high level of ESF assistance to national government schemes, such as those of the MSC, raises, in the ESF context, the vexed question of whether there is "additionality" at the national level. In general, those involved with the ESF are less concerned with this issue than those dealing with the ERDF. However, the question should be asked whether the ESF is really serving to expand the activities of schemes such as the YTS. It is again very difficult to reach firm conclusions on this issue. The Government argues that the ESF spending enables more money to be spent in a period of financial stringency on these schemes than would otherwise be possible (interview with Official of DE). A DE official responding to a question at a recent House of Lords Committee enquiry, suggested that when subsidies such as the ESF are provided then inevitably:

TABLE 7.1. THE GEOGRAPHICAL PATTERN OF ESF ASSISTANCE IN THE UK;  
1984-1987.

Region	Total aid £ Million (%)	Per Capita £	per unemp- loyed pers£	Unemployment rates % (1)
North West	51.73 (21.1)	8.0	116.5	15.5
Scotland	48.06 (19.6)	9.3	126.5	15.6
Yorks/Humb	35.42 (14.5)	7.2	112.1	15.1
W.Midlands	30.68 (12.5)	5.9	89.7	15.0
South East	28.60 (11.7)	1.7	37.0	9.5
North	25.38 (10.4)	8.2	108.9	18.0
Wales	14.21 (5.8)	5.1	80.3	16.1
South West	7.55 (3.1)	1.7	36.1	11.6
E.Midlands	2.53 (1.0)	0.7	12.3	12.2
East Anglia	0.55 (0.2)	0.3	6.5	10.1
Total Brit.Reg. (% of UK total)	244.71 (100) (24.0)	4.3	74.2	13.0
<b>National Schemes (GB only)</b>				
Central Government e.g. MSC, DE	594.20			
Industrial Training Boards	11.19			
Nationalised Industries	19.47			
Total National schemes (% of UK Total)	624.86 (61.2)			
N.Ireland (% of UK total)	151.23 (14.8)	96.5	1154.4	22.4
UK Total	1020.8	18.1	309.6	13.1

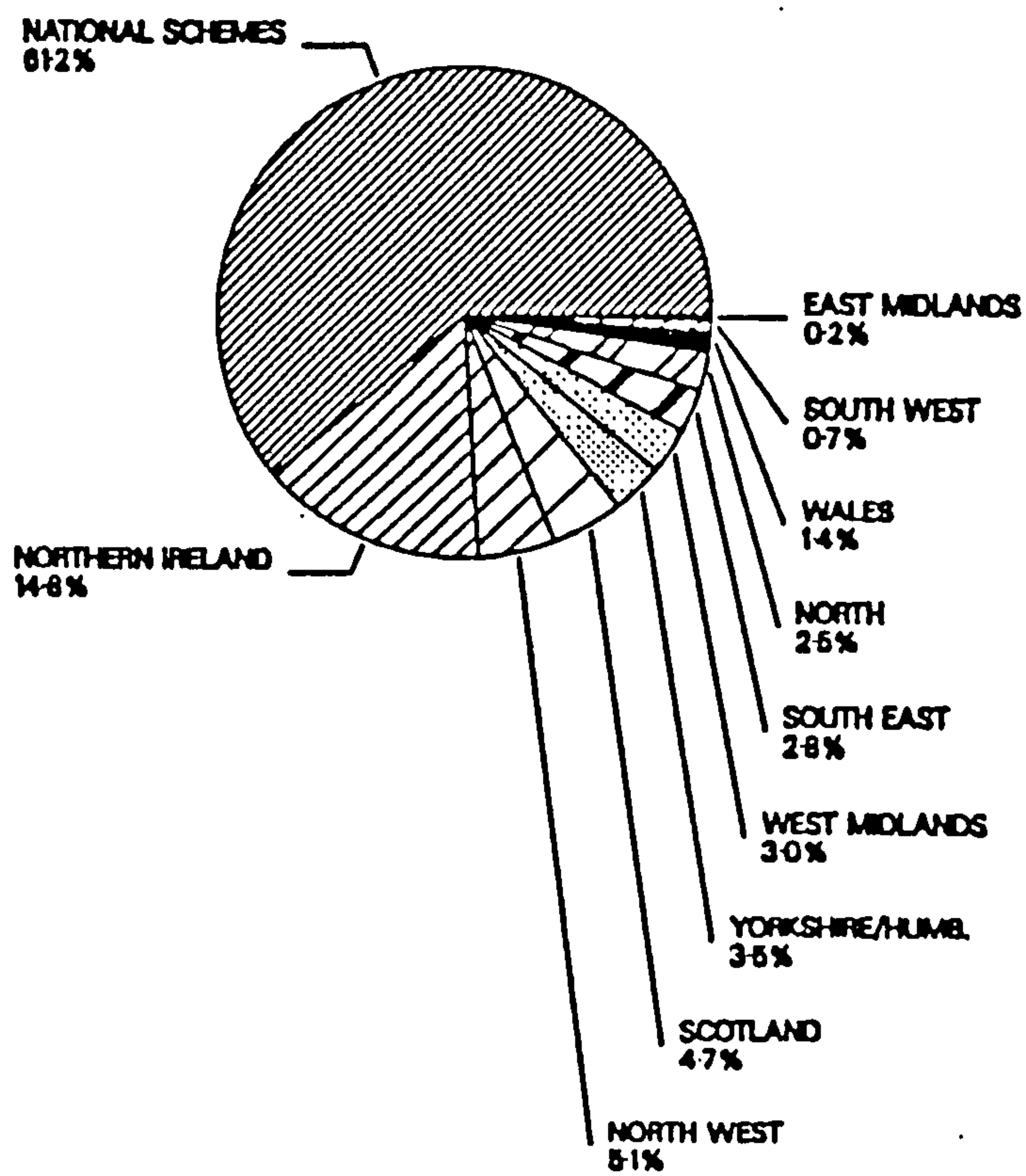
Note. (1) October 1986 Unemployment Figures

Sources: Unpublished data provided by the Department of Employment;  
Employment Gazette, December 1986.



FIGURE 7.2.  
ALLOCATION OF ESF TO NATIONAL AND REGIONAL SCHEMES,  
1984-1987.

UK TOTAL 1020.8 MILLION



people would to a certain extent have done what they are subsidised to do anyway, so one is looking for an effect at the margins. I would assert that there is an effect at the margins both for central government programmes and for programmes run by others (House of Lords, 1988, p46).

However, suspicion exists that ESF assistance is simply replacing government expenditure that would take place in any case.

Turning to examine the remainder of the ESF assistance directed to the UK from 1984 until 1987, it can be seen that approximately 15% has been allocated to Northern Ireland. As a designated absolute priority area Northern Ireland has an advantage over other parts of the UK. For example, some aspects of the Guidelines are entirely restricted to these areas. Normally this means that particular guidelines are made less exclusive by dropping criteria such as the need for a certain number of hours of work experience. Moreover, schemes from Northern Ireland are likely to receive more sympathetic treatment from the Commission because of the requirement to direct 44.5% of the ESF to the absolute priority areas. The data for Northern Ireland include schemes run by the Department of Manpower Services of the Northern Ireland Office. These schemes are equivalent to those operated by the MSC in the rest of the UK which could not be included in the regional breakdown to the other regions. Therefore, the calculations for Northern Ireland are not comparable with the other regional data shown in Table 7.1.

The proportion of ESF assistance to the UK which has

not been spent either in Northern Ireland or on nationally-based schemes in the rest of Britain, has been directed to projects which can be identified at a regional level throughout England, Scotland and Wales. This aid, which accounts for 24% of the national total, is directed towards local authorities, private firms, the voluntary sector and a variety of other public and private organisations carrying out vocational training and job creation schemes (see Chapter 8).

The largest beneficiary regions from the ESF in absolute terms have been North West England, which received 21.1% of the total, followed by Scotland (19.6%), Yorkshire and Humberside (14.5%) and the West Midlands (12.5%). Further down the list are South East England (11.7%) and South West England (3.1%). If the pattern of ESF spending among the UK regions is examined on a per capita basis then a similar picture emerges. The most successful areas are Scotland, the North West, the North and Yorkshire/Humberside. Towards the bottom of the list are again South West England, South East and the East Midlands.

A number of factors explain this broad pattern of spending. The first is that regions such as Scotland, Northern England, the North West and Yorkshire/Humberside have more extensive priority areas than regions such as the South East, East Midlands and South West (Figure 7.1), which gives organisations in these areas greater opportunity to apply for training schemes which will be awarded priority status under the Guidelines.

Secondly, the most successful regions have more large local authorities with the financial and administrative



resources necessary both to fund and apply for ESF projects. According to Aitken (1986b), the six largest regionally-based recipients of ESF assistance in 1985 were all located in Scotland, Yorkshire / Humberside and North West England. For example, Strathclyde Regional Council (Scotland) received £8.73 Million. In the same year Manchester City Council (North West) obtained £3.66 Million. In comparison, in 1985 the two largest beneficiaries in South West England - Bristol City Council and Devon County Council - received £0.81 Million and £0.57 Million respectively. Thirdly, organisational factors may be important in determining spatial variations in receipts from the ESF. Local authorities situated in parts of the country which have been eligible for ERDF assistance have developed the expertise necessary to apply successfully for ESF aid. In contrast, authorities in the South East, East Midlands and non-assisted parts of the South West have been slower to realise the potential of the European Community as a source of financial assistance. This ERDF-led explanation of varying ESF involvement is discussed in greater detail in Chapter Eight in the context of South West England.

We can now examine how far this broad pattern of ESF spending has been directed to the most needy regions. Because the ESF aims primarily to increase employment opportunities, the most appropriate measure of the "need" of particular regions for Fund aid is unemployment. Table 7.1 compares the distribution of Fund assistance with regional unemployment rates and provides a measure of the success of particular regions in securing aid according to a per unemployed person basis. On this measure, the most

successful regions are once again Scotland, the North West, Yorkshire/Humberside and the North. It seems clear that there has been a concentration of spending on the regions with the highest unemployment rates and with the largest numbers of unemployed people. In fact, 84% of funds to projects located in the British regions have been directed to regions with above average unemployment rates.

In conclusion, although the bulk of ESF assistance which has been directed to schemes based in the regions has gone to those areas with the highest rates of unemployment, this represents a relatively small volume of assistance compared with the amounts spent on national schemes. Of course, it should be emphasised again that the ESF is primarily an instrument of employment rather than regional policy. Consequently, the large proportion of funds allocated to national as opposed to regional schemes does not as such give cause for concern. However, greater doubts can be expressed as to whether the Fund is really contributing "additional" assistance to national projects such as the Youth Training Scheme.

#### 7.2.2. The concentration of assistance on Young People Under 25.

The rules governing the ESF set aside 75% of the total Fund for projects aimed at young people under the age of 25. In the UK, there are clear regional implications of such a concentration. In general, the areas with the highest overall rates of unemployment are also those with the highest rates among the under 25s. Table 7.2 shows the rates of unemployment in 1986 within this age group in the various regions. We can see that youth unemployment is particularly

severe in Northern Ireland, Wales, the North and North West of England.

TABLE 7.2. OVERALL AND YOUTH UNEMPLOYMENT IN UK REGIONS.

Region	Unemployment % 1986	Unemploy.<25s % 1986
Northern Ireland	22.4	28.5
North	18.0	27.5
Wales	16.1	27.0
Scotland	15.6	24.7
North West	15.5	26.1
Yorkshire/Humb.	15.1	22.5
West Midlands	15.0	25.4
East Midlands	12.2	19.7
South West	11.6	18.0
East Anglia	10.1	15.9
South East	9.5	15.8
Total	13.1	21.8

Sources: Eurostat, 1987; Employment Gazette, December 1986.

Table 7.3 illustrates the proportion of ESF spending on this age group in the UK. It is apparent that spending is much more explicitly concentrated on young people in the UK than in the Community as a whole. In Britain, approximately 84% of assistance was directed towards the Under 25s between 1985 and 1986, in comparison with the 75% which has been allocated to this age group in the rest of the Community. Of the other member states, only Ireland has a concentration on young people which exceeds 80% (Commission, 1986g).

One reason for this high concentration is the success of the Manpower Services Commission in attracting assistance for a number of schemes aimed at the under 25s. In fact in 1986, 92.2% of MSC receipts came into this category. The most important scheme in this respect is the Youth Training Scheme (YTS) which attracted 75% of all MSC receipts in



1986.

TABLE 7.3. THE CONCENTRATION OF ESF ASSISTANCE ON YOUNG PEOPLE UNDER 25.

Age group	UK		Million ECU (1)	
	Total 85/86 MECU	(%)	EC Total MECU	(%)
Young People <25	791.8	(83.6)	3596.0	(75.2)
Adults >25	127.1	(13.4)	1019.0	(21.3)
Innovatory schemes	28.2	(3.0)	167.6	(3.5)
Totals	947.1	(100)	4782.6	(100)

Notes.(1) Million European Currency Units. The source used for these data was available in ECU only.

Source: Commission (1986g, 1988a).

The UK is particularly well placed to benefit from the particular Commission Guidelines concened with Young People. Firstly, the Guideline under which YTS is funded is aimed at people under 18, an age group in which the UK has proportionately more people in the employment market than most other member states. In other countries, such as France, compulsory school-leaving ages are higher. Furthermore, in countries such as FR Germany apprenticeship schemes which involve "on-the-job" training and therefore are not eligible for ESF aid (Representative of DE in House of Lords, 1988). Between the ages of 18 and 25 there are also relatively more people in search of full-time employment in the UK than in many other member states. For example, all Community countries with the exception of Ireland, the UK and Luxembourg have compulsory national service for young people. Finally, the numbers of people in full-time further and higher education in the UK are also relatively low. These factors mean that the UK has

significantly more people in need of vocational training under the age of 25 than other member states and is therefore able to benefit substantially from the Guidelines aimed at young people. It seems clear that in the UK the objective of concentrating spending on young people is being achieved.

### 7.2.3. The Objective of helping small and medium-sized enterprises.

The Commission Guidelines give priority to vocational training projects aimed at training people employed in firms of this kind and particularly in the use of new technologies and management techniques. However, in the UK, over the 1985 to 1986 period, only 0.8% of total receipts were allocated specifically to workers in these firms. In comparison, in the EC as a whole, this figure was 2%. (Commission, 1986g, 1988a).

Because the ESF does not set aside an explicit proportion of available resources to this particular objective, it is difficult to judge whether this objective has been achieved. However, this research points to a number of factors which tend to limit in the UK at least the amount of ESF funding which is devoted to small and medium-sized businesses.

Firstly, the complexity of the application procedures required to secure ESF assistance means that many smaller firms are discouraged from applying. These companies are unlikely to possess the experience and expertise necessary to complete satisfactorily the long and complex application form. Moreover, small firms are less likely to have the administrative capacity to keep the very detailed records

which are required to make final payment claims and to present to Commission officials in the case of audit checks. The complex administrative procedures mean that firms must often employ private consultants to secure assistance and, for the smaller companies, the resulting costs may be prohibitive (interviews with private consultant advising firms on ESF applications and official of EITB).

A second factor which operates to the detriment of small firms is the financial procedures operated by the Commission and the UK government for the payment of grants. For example, only 50% of the assistance awarded is paid when it is first committed. The other half of the grant can be claimed only when the scheme has finished. Once the claim for payment has been processed by the Commission and been channelled through the UK Treasury as much as a year may have elapsed since the completion of the project. Finally the application of the linear reduction serves to reduce by as much as 50% what for a small firm may only have been a relatively modest application. As a result of these complex and arguably inefficient procedures firms can not rely on ESF aid and must be able to finance the scheme themselves until assistance is forthcoming.

These factors mean that the Fund operates to the detriment of the small and medium-sized firm sector which, paradoxically, it particularly aims to assist. Moreover, as Chapter Eight will show, areas such as Cornwall, which lack many large firms and depend heavily on the small-firm sector, are relatively disadvantaged. The majority of small companies which do succeed in obtaining assistance do not re-apply, having been put off by the complexity of



procedures and the problems caused by the Fund's system of providing finance (interview with official of EITB). In consequence, it is the larger firms, often multi-nationals, with the largest applications and the greatest resources which are most able to benefit from the Fund. They are able to employ consultants with the expertise required to win assistance and have the necessary economies of scale not to be put off by the perceived bureaucracy and complexity of the Fund's application system.

#### 7.2.4. The objective of encouraging innovatory training projects.

In the Community as a whole the 5% of the ESF budget set aside for innovatory projects has been consistently underspent. In 1986, for example, only 3.5% of the Fund was committed to projects in this category. However, the Commission justified the continuing allocation of 5% of total resources to these schemes on the grounds that the number of applications in this category rose by 28% over 1985 (Commission, 1988a). In the UK similar figures are apparent. In 1986, 3.2% of UK receipts were allocated to innovatory projects, in comparison with 2.8% in 1985.

Clearly, therefore, the objective of concentrating 5% of funds on these schemes is not being achieved either in the Community as a whole or in the UK. One problem is the difficulty of clearly defining the nature of an "innovatory" project. The term implies that such a scheme has never been done before in terms of either method or content. Therefore it is very difficult for potential applicants to use previous submissions as models for their own applications. Moreover, it is not clear whether ideas applied successfully

in one member state are then innovatory when applied in another. If not, potential applicants are faced with the problem of assessing whether a particular type of scheme has been carried out before in any of the other member countries. These problems mean that likely applicants are either discouraged from applying by the difficulty of determining whether projects are innovatory, or their projects are judged to be non-priority by the Commission.

A second factor influencing the volume of applications in this category is the lack of dissemination of information on developments in the methods and content of training schemes (interview with official in ESF unit of DE). Since an explicit aim of this aspect of ESF activities is to circulate new ideas on vocational training, then the perceived lack of effective dissemination clearly gives cause for concern. The Commission does provide a retrospective view of innovatory schemes which have been funded in each ESF Annual Report, but by their very nature these schemes are no longer innovative. One reason for the lack of adequate dissemination of ideas arising out of the innovatory schemes which are funded is that the section of DG V in the Commission which handles innovatory projects does not have the time or capacity needed to provide regular and comprehensive information on schemes of this kind. Moreover, the section of DG V concerned with policy and administration is not sufficiently well co-ordinated with the innovatory projects section to be able to perform this task (interview with official of Innovatory Projects Division of DG V).

In this case the Commission is unable to exert any

top-down control over the allocation process. Rather it is largely dependent on initiative within member states to devise training programmes and to submit applications to which DG V can then react.

### 7.3. THE ROLE OF THE UK GOVERNMENT.

The UK government's position in the ESF's implementation structure is complex because it is involved in both administering ESF applications from a wide variety of organisations and in applying for assistance on its own behalf. Responsibility for managing UK applications for ESF assistance rests with the Department of Employment (DE) in London. There is no involvement of regional offices of the DE, nor do the offices for Scotland and Wales participate in examining ESF applications. However, the Scottish and Welsh Offices do assist the Department of Employment by providing advice to potential applicants and by publicising the activities of the ESF (Jones, 1985). On the other hand, Northern Ireland as an absolute priority area is treated as a special case. An ESF Branch of the Department of Economic Development for Northern Ireland has an autonomous role in the application process and is not subordinate to the DE in London. The Northern Ireland Office decides which applications to forward to Brussels and these are sent to the DE which includes them in the final package of applications it sends to the Commission.

As well as managing UK applications for ESF grants, the Government, in the shape of the Manpower Services Commission, the various Industrial Training Boards, a number of nationalised industries and the DE itself, is also a



major applicant for ESF assistance. Indeed, the UK's largest recipient of ESF grants is the Manpower Services Commission (MSC). The MSC, which has now been replaced by the Training Commission, was a quango directly funded by the national Treasury and was responsible, in conjunction with the Department of Employment, for a wide variety of training and employment creation schemes carried out nationally and locally. Among the MSC's (and now the Training Commission's) major ESF applications are the Youth Training Scheme (YTS) and the Community Programme. Figure 7.3 shows the position of the central-government agencies in the ESF's formal framework for implementation.

Much of the information in this section of the Chapter is derived from interviews carried out in the DE in London, together with meetings at the Manpower Services Commission in Sheffield and the Engineering Industry Training Board in Watford. The discussion is divided into three parts. The first focuses on the role of the Department of Employment in the management of the ESF. The next section examines the role of the MSC in securing ESF assistance for the UK. The third part assesses the similar role of the various Industrial Training Boards.

#### 7.3.1. The role of the Department of Employment.

Responsibility for handling all British applications (not including Northern Ireland) for ESF aid rests with the ESF section of the DE in London. The participation of the department can be divided into five stages:

- a. Advice and consultation with potential applicants;
- b. Examination of submitted applications;

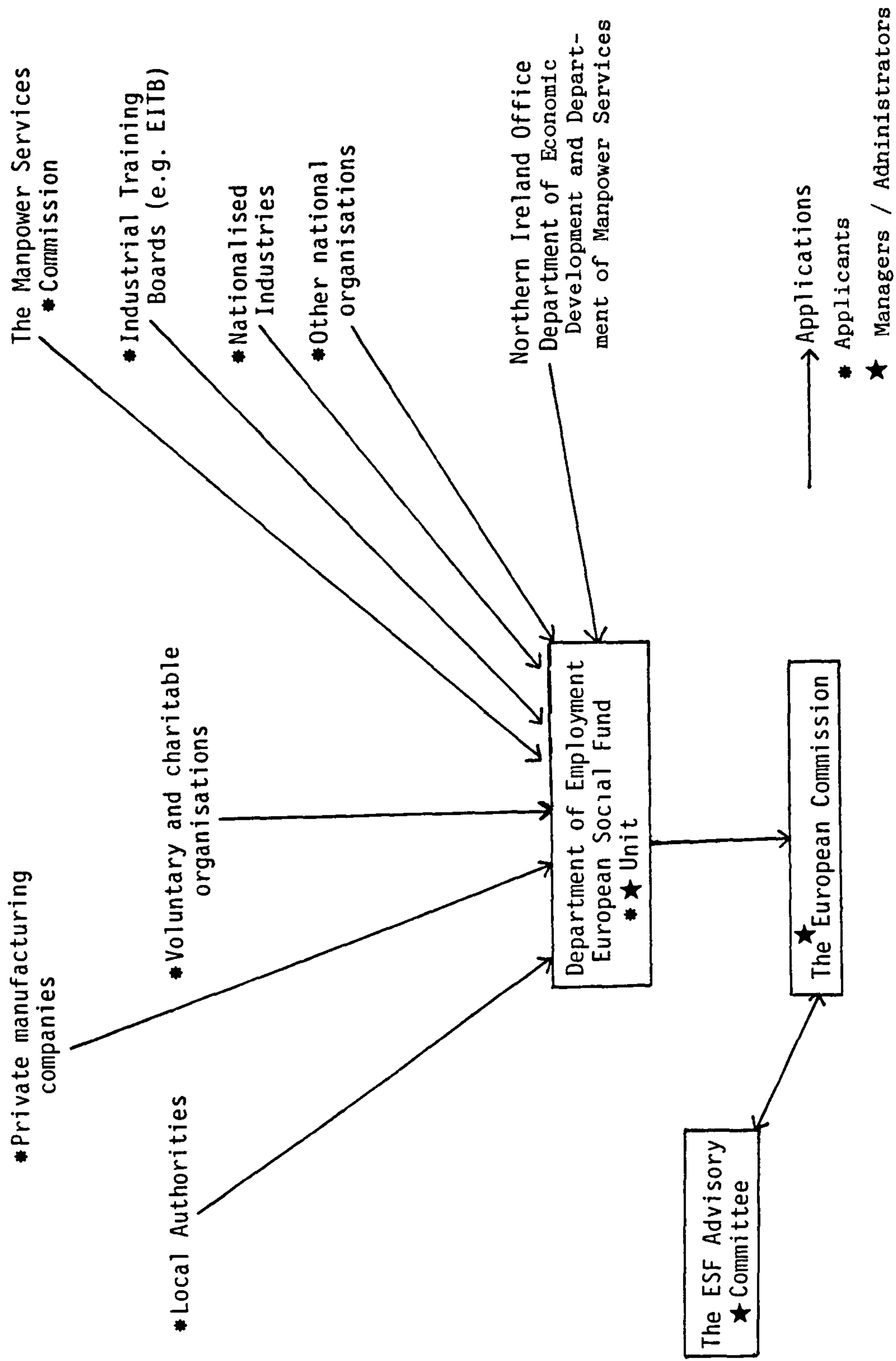


FIGURE 7.3. THE IMPLEMENTATION STRUCTURE OF THE EUROPEAN SOCIAL FUND IN THE UK.

- c. Negotiations with the Commission about provisional decisions;
- d. Participation in the ESF Advisory Committee;
- e. Application of linear reduction.

a) Advice and consultation.

The first stage of DE involvement begins before applications are actually submitted. In the period between the publication of the Commission Guidelines in April of each year and the August deadline set by the Department for the receipt of applications, there is extensive consultation between potential applicants and the DE. The Department issues a comprehensive package of "Notes for Guidance" and advice on how to make applications. Furthermore, the DE is involved in extensive discussions with local authorities, the MSC and other central government departments and agencies. These include consultations over the likely eligibility of particular schemes and a variety of meetings and seminars at which DE officials provide advice about changes in the Guidelines and pass on any comments made by Commission officials about the content of applications. A particularly instructive seminar about the ESF is organised each June by the School for Advanced Urban Studies (SAUS) in Bristol. This meeting is attended by many local-authority representatives from all parts of the UK and is addressed by officials of the DE, the European Commission and others.

The information provided by the DE at this stage is crucial to the successful implementation of the Fund in the UK. The officials of the DE are the most closely involved in discussions with the Commission. Hence it is vital that they pass on all relevant information to potential applicants.



Seminars such as that organised by SAUS are considered by many local-authority representatives to be the most effective medium for this kind of communication (interview source). This emphasises the importance of national government as a source of advice and information which allows the ESF to operate effectively.

b) Examination of applications.

In order to allow sufficient time for the processing of all submissions before the Commission's deadline on 21st October, the DE requests that all applications arrive at the Department's ESF unit by August 14th. This allows the Department two months to ensure that as many applications as possible correspond to the ESF's eligibility criteria and to the Commission's Guidelines.

Each application is examined by the staff of the ESF unit to ensure that it is admissible and eligible under the Fund rules (Council Regulation 2950/83). Officials of the DE then assess whether applications meet the criteria used by the Commission to judge the priority status of submitted schemes. This stage is the most crucial because only schemes classified as priority according to the Guidelines are likely to receive assistance. At this stage virtually all applications submitted to the DE require some amendment or "fine-tuning" in order to increase their chances of success. This process results in the rejection of only about 5% or 6% of applications as definitely ineligible (interview with Official of DE).

In order to maximise potential UK receipts from the Fund, the DE's task is to ensure that as many applications as possible are forwarded to Brussels in a form which is

likely to attract assistance. To achieve this the DE attempts to interpret the Guidelines in the same fashion as the officials of DG V at the Commission. However, as Chapter Six pointed out the Commission Guidelines are phrased in a sufficiently vague fashion to allow these officials scope to apply the Guidelines in different ways according to the number and quality of applications in particular years. As Aitken (1986b) points out:

although the Department of Employment advises as best it can on the available information, both formal and informal, experience has shown that the Commission may adopt a different interpretation of the Guidelines (Aitken, 1986b , p11).

The Guidelines allow the Commission to keep the upper hand in the allocation process and in this respect the role of the DE is subordinate to that of DG V.

As it attempts to maximise UK receipts from the ESF, the DE is faced by something of a dilemma. On the one hand, it must attempt to generate as many applications as possible in order to increase the UK's potential share of the Fund. On the other hand, there is clearly a limit to the total amount of money the UK can obtain. Firstly, the Fund is already greatly oversubscribed and, secondly, the perceived "informal quotas" (see Chapter 6) restrict the proportion of total assistance which the UK can hope to win. Furthermore, increases in priority applications will lead to larger linear reductions. If these reductions become too great (they have already reached 50% for projects aimed at the over 25s) then there may be little point in applying for assistance in the first place (interview with official of DE). For this reason the DE is content to advise and assist regular applicants such as local authorities and the MSC

rather than attempt to broaden the range of applicants. In the long term, the doubling of Structural Fund resources agreed at the Brussels summit in February 1988 may ease these problems and force the DE to publicise the Fund more widely.

c) Negotiations with the Commission.

Once the Commission has reached the stage of issuing a provisional decision on the allocation of grants (the "blue note") and before the ESF Advisory Committee meets in Brussels, the DE is consulted by DG V on any grant decisions with which it may disagree. The Department is most concerned to ensure that the large national schemes are funded as fully as possible. In particular, it concentrates on those schemes run by the Manpower Services Commission (MSC) such as the Youth Training Scheme (YTS) which receive the largest grants (interview with Officer in ESF unit of DE). This demonstrates how the national government is closely involved at all stages of the decision-making process. The Commission is careful to allow the national governments the opportunity to monitor closely the decision-making activities of DG V. Thus, the input of national government into the decision-making process also takes place away from the formal channels of communication such as the ESF Advisory Committee.

d) The ESF Advisory Committee meeting.

The formal government representatives on this Committee (see Chapter 6) are the Head of the DE's European Communities Section and the Head of the Department's ESF Unit. These officials are joined by other British delegates representing the Trade Union Council (TUC) and the



Confederation of British Industry (CBI). As Chapter Six demonstrated this Committee possesses few formal powers. As far as officials of the DE are concerned, the meeting's main purpose is to permit general views to be aired on the operation and priorities of the Fund, rather than to debate individual schemes (interview with Chief Adviser at DE). The Committee is important for canvassing the views of other member states on particular issues and for formally pressurising the Commission to adopt particular strategies which coincide with the interests of the UK. For example, in the 1987 ESF Advisory Committee meeting, the UK Government opposed the reduction in priority areas to account for 50% rather than 53% of the Community population. However, the Commission, supported by other member states such as Spain and Italy which favoured this increased concentration, was able to resist this pressure and the reductions in priority areas were made to the Guidelines which apply to 1988. This illustrates that the Commission does have significant powers to act against the will of some countries on particular issues. However, the Commission requires alliances of other member states to support its views and would be unlikely to decide against the wishes of a majority of national delegations (interview with official of DG V).

e) Application of the linear reduction.

The final participation of the DE in the annual cycle of decision-making leading to the award of ESF grants in late March is in the application of linear reductions. The Commission Guidelines list categories of schemes which are exempt from this reduction. The first category includes operations forming part of an Integrated Development

Operation. The second concerns schemes "particularly dependent on Fund assistance". Projects in the first category are self-evident. The latter, on the other hand, are much more difficult to define. Consequently, the Commission allows national governments to make this essentially subjective judgement.

In the UK, the DE has normally exempted projects run by voluntary and charitable organisations. However, in 1987 a decision was taken by Employment Ministers not to exempt fully organisations such as these from the reduction. Instead, grants to such organisations for projects involving people over 25 were reduced by 20% (as opposed to 50% for the country as a whole) (interview with official of DE). This decision had, as Chapter Eight will show, a major impact on schemes run by voluntary organisations who are indeed dependent upon ESF assistance for the implementation of training schemes for groups such as women, the disabled or ethnic minorities. These organisations often find it difficult to secure funding from other sources to allow their schemes to go ahead without ESF aid. The problem faced by the DE is that only a small number of schemes can realistically be exempted because the remaining schemes have to share the cost and therefore receive a reduction which is slightly greater than that applied to the country as a whole. In this context the ministerial decision to reduce awards to voluntary and charitable organisations by 20% in 1987 becomes easier to understand. The imposed overall reduction of 50% was already intolerably high for many applicants and any further reduction caused by the full exemption of voluntary organisations would reduce still

further the already marginal benefits of applying for ESF aid in the first place. This point illustrates once again the close involvement of the UK government in the implementation process and the importance of political decisions taken at national level.

### 7.3.2. The role of the Manpower Services Commission.

Apart from managing UK applications, the government is also involved in applying for aid from the Fund in its own right. The extensive contribution of the Manpower Services Commission (MSC) to vocational training and employment creation measures ensures that it is ideally placed to benefit substantially from the ESF. The work of the MSC is closely co-ordinated with the Department of Employment to which the MSC is politically subordinate.

MSC receipts from the ESF are very substantial. In 1986, for example, the MSC received £149.7 Million from the Fund (Manpower Services Commission, 1987). This sum accounted for 51% of all UK receipts in that year. However, the proportion of UK receipts allocated to the MSC has been falling in recent years. In 1984, 66% of receipts were allocated to the MSC. This sum fell to 53% in 1985 (Aitken, 1986b). The particularly large figure for 1984 was partly responsible for the fact that, in that year, the UK received a larger share of the ESF than any of the other member states. A large proportion of this assistance was spent on the MSC's Community Programme scheme, which was accorded priority status in its entirety. However, in subsequent years the Commission altered its interpretation of the Guidelines regarding this scheme, resulting in the classification of most of the programme as non-priority.



Consequently, both the MSC's share of total assistance and Britain's overall receipts from the Fund were reduced substantially. Table 7.4 and Figure 7.4 illustrate the volumes of assistance allocated in 1985 and 1986 to particular MSC programmes and compares these data with the overall costs of the programmes. ESF receipts in 1985 and 1986 accounted for approximately 7% and 4.9% respectively of the overall MSC budget (Manpower Services Commission, 1986, 1987).

The largest single submission for ESF assistance from any of the twelve member states is the MSC's application for the Youth Training Scheme (YTS). Indeed in 1986 the money allocated to YTS amounted to £108 Million (Manpower Services Commission, 1987). This represented 38.4% of the UK share of the ESF and 6.8% of the entire Fund in that year (Commission, 1988).

The YTS was instituted in 1983 with the intention of increasing the ability of school leavers to obtain secure employment by providing them with occupational skills and specific recognised qualifications. In the first few years of the scheme young people participated for one year only. However, in 1986 the scheme was extended to two years. The MSC first applied for ESF assistance towards the cost of YTS in 1983. Since then the EC's contribution to the scheme has been substantial. In the UK financial year 1986/87 YTS cost a total of £875.1 Million (Manpower Services Commission, 1987). Therefore, the ESF provided approximately 12% of the scheme's entire cost.

Only that part of YTS expenditure which is carried out in the ESF priority areas has priority status for ESF

TABLE 7.4. ALLOCATION OF ESF ASSISTANCE TO THE MANPOWER SERVICES COMMISSION, 1985-1986.

£ Million

MSC Scheme	ESF receipts 1985	Total cost of scheme	Approx %(1)	ESF receipts 1986	Total cost of scheme	Approx %
Youth Training Scheme	93.0	818.0	11.4	108.0	875.1	12.3
Enterprise Allowance Scheme	n.a.(2)	n.a.	n.a.	11.4	143.4	7.9
Community Programme	42.0	684.0	6.1	4.0	1043.0	0.4
Employment Rehabilitation	8.4	19.9	42.2	2.7	18.6	14.5
Community Industry	6.0	24.2	24.8	0.3	25.6	1.0
Job Training Scheme	5.9	160.1	3.7	-	-	-
Schemes for Disabled	0.9	3.6	28.1	0.4	3.1	11.2
Other computer training	n.a.	n.a.	n.a.	2.1	n.a.	n.a.
Totals of MSC budget ESF allocation	164.7	2362.0	7.0	149.7	3032.0	4.9

Notes: 1) The ESF operates on a calendar year basis and therefore it is impossible to calculate the exact proportion of schemes which is funded by the ESF.

2) n.n = not available.

3) The total ESF allocation includes a variety of other small schemes which are not included in this Table.

Sources: Manpower Services Commission (1986, 1987).

# ALLOCATION OF ESF TO MANPOWER SERVICES COMMISSION SCHEMES 1986

percentage of total

Total allocation = £ 143.47 million

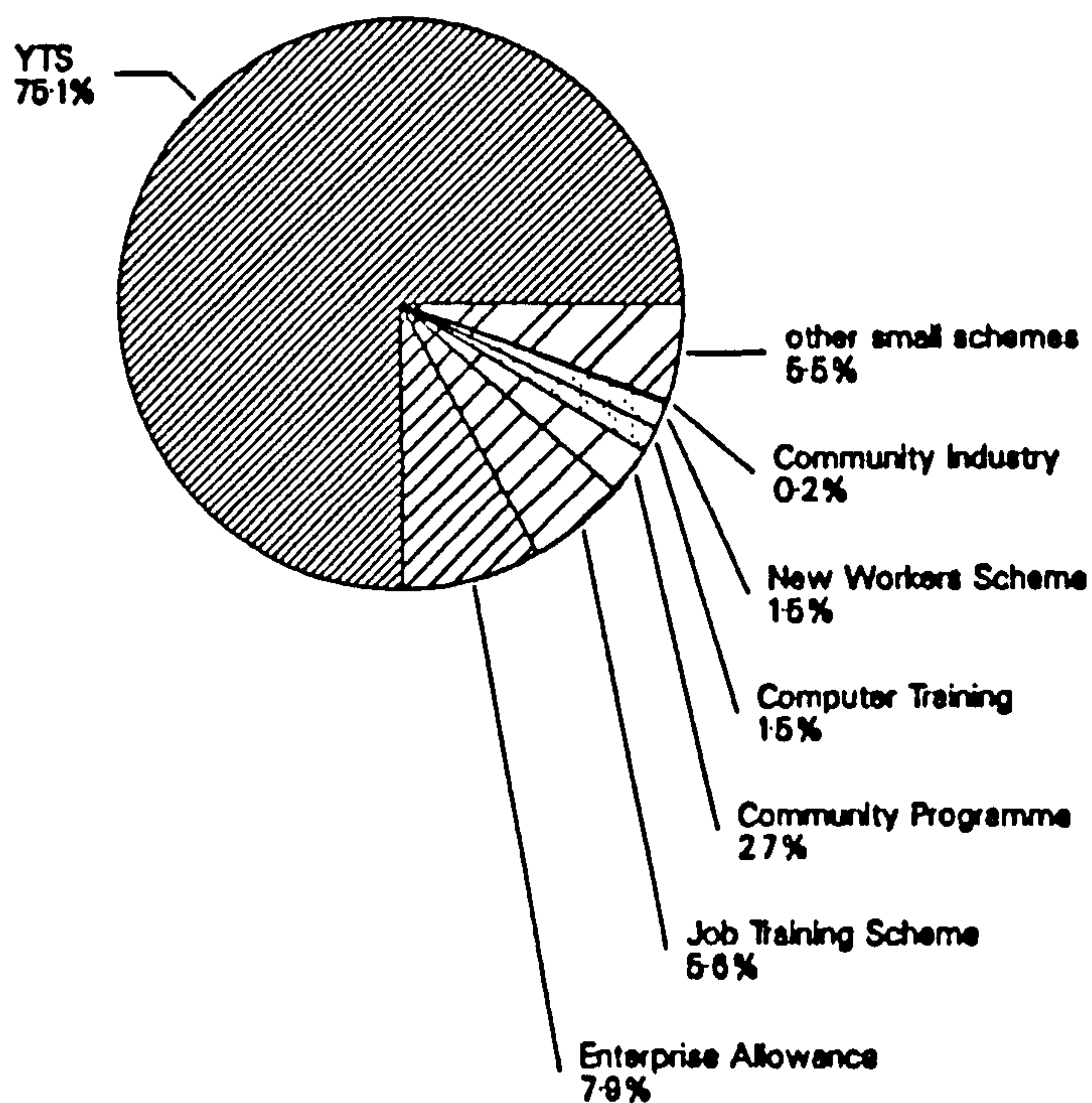


FIGURE 7.4 ALLOCATION OF ESF GRANTS TO MANPOWER SERVICES COMMISSION SCHEMES, 1986.



aid. In 1986, eligible expenditure which was accorded priority status amounted to £398 Million. Consequently, the MSC applied for £193 Million (50% of eligible spending) (interview with representative of the MSC). In the event the European Commission committed £108 Million to the scheme. This final figure was for two reasons considerably less than the amount sought. Firstly, a linear reduction of 4% was applied to schemes for young people because of the oversubscription of the Fund. Secondly, assistance was reduced by a further 39% because the Commission judged that the scheme did not offer "substantial prospects of employment" to all trainees (interview with official of MSC). This calculation was based on statistics supplied by the DE which showed that only 60% of YTS trainees obtain full-time employment after participation in the scheme. However, this figure represents the national placement rate for YTS participants. It is probable that placement rates in the priority areas, which are those to which assistance for YTS is in theory directed, will be much lower (interview with official of MSC), because overall unemployment rates in these areas are higher than for the UK as a whole. If the Commission used the priority area placement rate to measure "substantial prospects of employment" then the overall reduction to the YTS grant might be considerably greater. However, since the ESF assistance is aimed at priority areas (those places with the highest unemployment rates) the logic of having an even greater reduction in these areas would be highly dubious.

It is apparent that a conflict exists between, firstly, ensuring that schemes funded by the ESF

are providing trainees with a real possibility of finding a job and, secondly, directing money to priority areas where, by definition, it is much more difficult to find employment.

Apart from these problems of interpreting the Fund's eligibility criteria, the allocation of ESF aid to the YTS is also influenced by political factors. The receipts from the Fund for YTS make the single most important contribution to the UK's overall share of the ESF. The Government exerts considerable pressure on the Commission both informally in the discussions which continue throughout the decision-making process and formally in the ESF Committee, to continue funding of the YTS at its present high level (interview with official of DE). Indeed, evidence from interviews at both the MSC and DG V illustrate how Commission officials deflect criticism from other Governments about the YTS funding. The 1986 submission for YTS included an application for a further £162.2 Million of assistance for expenditure on YTS taking place in non-priority areas. This funding was classified as non-priority by the Commission and no further assistance was provided for the UK. However, it is suggested that this application had been requested informally by an official of DG V precisely so that it could subsequently be refused (interviews with officials of MSC and DG V). In this way DG V could justify to other member states the relatively high levels of assistance allocated to YTS by pointing to the large sums which had been refused.

The final sum allocated to the YTS represents a compromise between the interests of the UK government, the

Commission and the other member states based on negotiations carried out between the DE and DG V. Once again we see the importance of national government in the implementation process operating at an informal level outside of the formalised structures such as the Council of Ministers and the ESF Advisory Committee.

Although the MSC is essentially a branch of national Government, it has its own ESF unit, based at MSC headquarters in Sheffield which is responsible for formulating MSC applications for ESF grants. Moreover, its final applications are formally dealt with by the DE in the same fashion as any other applications. On the other hand, the MSC's ESF unit works closely with the DE in formulating applications, reflecting the close involvement of central government in applying for, as well as administering ESF assistance. In fact, the DE effectively controls MSC applications by having the final say on which schemes are forwarded to Brussels (interview with official of MSC). Again we see how the national government is closely involved at all levels of the implementation process.

The overall aim of the MSC's ESF section, in conjunction with the DE, is to maximise the MSC's receipts and hence the UK's share of assistance from the Fund. The unit's three Higher Executive Officers scrutinise the Commission Guidelines when these are issued each April in order to identify those MSC schemes which are likely to gain priority status under the Guidelines. The Department of Employment's "Action for Jobs" leaflet (Department of Employment, 1986) sets out the various training and employment schemes organised by both the MSC and the DE and



is the starting point for the identification of eligible projects. Invariably, however, very few schemes are consistent in their entirety with the Guidelines. Instead, only certain aspects of the MSC's programmes will be accorded priority status under the Guidelines. For example, only the women or disabled persons undergoing training may be eligible, or only the part of a scheme which takes place in the priority areas may be included in the application. In a number of cases, the priority elements of particular schemes have changed over time. Apart from the Community Programme, the whole of the MSC's Enterprise Allowance Scheme, which provides grants to persons setting up their own businesses, also attained priority status under the Guidelines. However, in 1985 changes in the Guidelines introduced by the Commission, which were designed to reduce the volume of priority applications, meant that only female participants in the scheme were eligible for assistance, providing they were setting up a business in a particular economic sector in which they are under-represented. As Chapter Eight will show, the annual shifting of the "goal posts" which determine the priority status of particular schemes can cause problems for applicants at the regional level.

### 7.3.3. The role of the Industrial Training Boards.

The Industrial Training Boards (ITBs) were created by the 1964 Employment and Training Act with the aim of encouraging and monitoring training being carried out in the private sector and of setting training standards for companies to follow. The ITBs are partly funded by central government and partly by a levy totalling 1% of the payroll

of firms over a certain size. The ITBs use this income to finance training schemes of their own in sectors which they consider to be under provided. Although the ITBs are partially independent from central government they are nevertheless classified as public authorities from the point of view of the ESF. There are a variety of ITBs in existence concerned with different industrial sectors. These include the Plastics Processing ITB, Construction ITB, Offshore Training Board ITB and the Engineering ITB (EITB). In the ESF arena, the EITB is quantitatively the most important. The following discussion is therefore based on interviews carried out in the Head Office of the EITB in Watford and at the ESF Unit of the DE in London.

The main function of the ITBs, as far as the ESF is concerned, is to provide the public authority contribution necessary to allow schemes run by private companies to receive ESF assistance. This contribution is derived from exemptions to the 1% levy which the ITBs impose. The EITB, for example, has the discretion to exempt firms from this levy up to the level of training being carried out which is eligible for ESF assistance. This exemption is accepted by both the DE and the Commission as a satisfactory public-authority contribution.

The second task of the ITBs is to act as intermediaries between the companies submitting applications and the ESF unit at the DE. The EITB, for example, provides an information pack to any firms enquiring about potential sources of funding for vocational training schemes. This pack includes an application form and notes on the types of schemes which will be eligible for the ESF and advice on how

TABLE 7.5. SUCCESSFUL APPLICATIONS FOR ESF ASSISTANCE  
HANDLED BY THE EITB: 1977-1987.

Year	No of successful applications	Total grants (£000s)	EITB own applications (£000's)	Totals (£000's)
1977	1	205.2	-	205.2
1978	1	276.5	-	276.5
1979	3	406.0	-	406.0
1980	5	274.4	-	274.4
1981	9	649.3	890.5	1539.8
1982	10	1053.8	1144.3	2198.1
1983	39	6265.2	826.3	7091.5
1984	56	4258.4	1686.3	5944.7
1985	102	5965.1	1641.5	7606.6
1986	164	5220.2	284.0	5504.2
1987	155	12660.0	200.0	12860.0
<b>Total</b>	<b>545</b>	<b>37234.1</b>	<b>6672.9</b>	<b>43907.0</b>

Source: Unpublished data provided by the EITB in Watford.



to complete the application form. Submissions from firms are forwarded to the EITB in Watford which attempts to ensure that they correspond with the Fund's admissibility, eligibility and priority criteria. This process ensures that all applications from firms reach the DE as well-prepared as possible, serving to reduce the workload of the DE and increase the speed with which it can process applications.

There have been substantial increases in the number and volume of applications handled by the EITB in recent years. Table 7.5 and Figure 7.5 demonstrates this by showing that the total number of successful applications dealt with by the EITB rose from 29 in the period from 1977 and 1982, to 155 in 1987 alone. An interview respondent at the EITB attributed this rise primarily to the Board's own promotion of the ESF as an important source of assistance. Furthermore, since 1982 the EITB has also been very successful in attracting assistance for its own schemes. This involvement peaked in 1984 when the Board received £1.7 Million from the Fund. The assistance allocated to ITBs is retained by the UK Treasury and used to offset the total government funding provided for Training Boards. Again the issue of "additionality" is in question in the context of the ESF.

#### 7.4. CONCLUSIONS: IMPLEMENTATION AS NEGOTIATION AND BARGAINING.

The role of the UK government in the implementation of the ESF is complex. Firstly, the DE is a manager of

# APPLICATIONS FOR ESF ASSISTANCE HANDLED BY THE EITB: 1977-1987

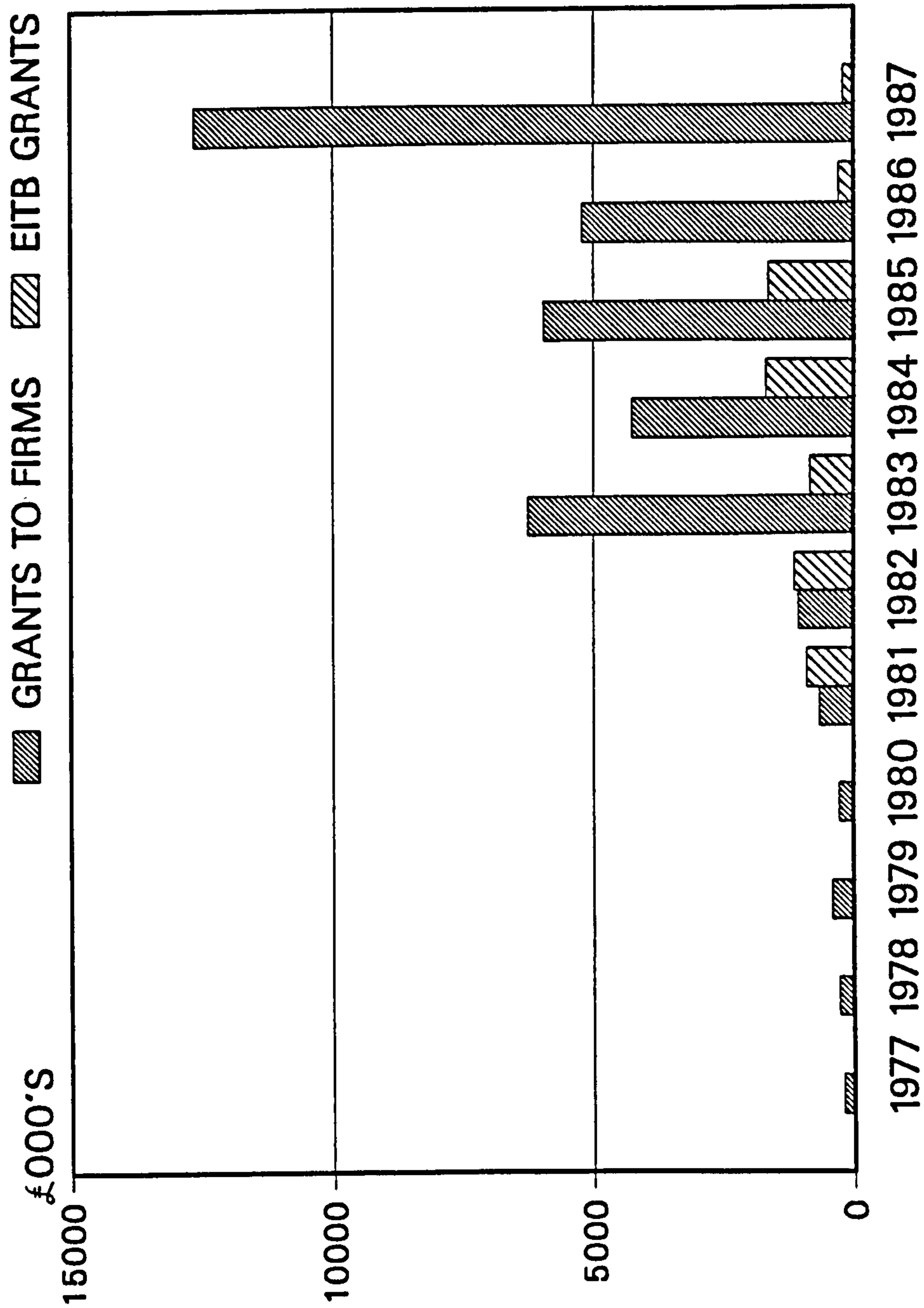


FIGURE 7.5. SUCCESSFUL APPLICATIONS FOR ESF ASSISTANCE HANDLED BY THE EITB.

applications from the UK. In this respect its main task is to maximise UK receipts. DE officials place a high priority on this objective because the Fund, together with the ERDF, represents a significant proportion of the direct financial benefits obtained by Britain from the overall Community budget. As a result, the DE has developed relationships with both the Commission and applicants for assistance based on co-operation and consensus. Officials of DG V praise the DE for the high standard of applications which arrive at the Commission from the UK. Moreover, ESF applicants point to the high degrees of help provided by DE officials.

The second role of central government is as an applicant for ESF aid in its own right. The submissions presented by the MSC, Industrial Training Boards and various other government agencies are the major contributions to the UK's share of the ESF. However, there is apparently little conflict in practice between these two roles. The need to secure high levels of finance for national schemes does not appear to disadvantage applications from the regions in any way because the ESF unit ensures that as many applications as possible are forwarded to Brussels.

As the previous Chapter showed, the Commission has a degree of control over certain aspects of the allocation of the ESF. However, there are clearly definite limits to how far it can impose hierarchical control over the implementation process. In fact the national government is central to the implementation process and should not be regarded as hierarchically subordinate to the Commission, which is heavily dependent on governments to operationalise



the Fund. Moreover, national bureaucracies are involved at all stages of decision-making in a process of constant negotiation and bargaining with the Commission. These discussions take place not only in formal situations such as the ESF Advisory Committee, but also through informal channels of communication which are arguably more important. These include the on-going discussion between member states and the Commission following the production of the Commission's provisional decision on ESF grants. The Commission always canvasses the views of governments before making decisions. After all, any powers which the Commission possesses have been devolved to it by the Council of Ministers which retains the ability to remove these powers. As a result, negotiations and compromises constantly take place. An example of this is the funding of the YTS where negotiations ensure that the UK obtains a substantial level of assistance.

This chapter has also examined whether the operational objectives of the ESF have been achieved in the UK. Of the four aims which were singled out in Chapter Six only that of concentrating spending on Young People under 25 has unquestionably been achieved in the UK. As far as the other three are concerned, some doubts exist. The largest proportion of ESF aid to the UK has been directed to large schemes operating on a national basis. Despite the fact that assistance to these projects is in many cases allocated on the basis of eligible expenditure being carried out in the priority areas, it is difficult to sustain the argument that the ESF is really being concentrated in the neediest areas since this assistance supports overall

national spending. On the other hand, the smaller proportion of assistance which can be identified at the regional level has been allocated largely to the regions with the highest unemployment rates. The main problem is that the degree of concentration is only partially specified in the rules governing the Fund. The Council Decision sets aside 44.5% of resources to the absolute priority areas, which include Northern Ireland. However, there is no corresponding figure for the amount that should be directed towards the other priority areas. Hence it is difficult to judge accurately whether the Fund has achieved this objective during implementation.

It is possible to be less equivocal when examining the objectives of encouraging innovatory projects and assisting small and medium-sized enterprises. The aim of directing 5% of the ESF budget to innovatory schemes has clearly not been delivered either in the UK or in the Community as a whole because of problems in the implementation process which mean it is difficult satisfactorily to define what is meant by innovatory. Moreover, the Commission has been unable to disseminate information on new training methods which may have been generated by this particular part of the ESF. The implementation process has also caused problems for the small and medium-sized firm sector which the Fund also aims to assist. These firms are often unable to cope with the complexity of application procedures and the problems created by the Fund's system of paying grants. All these problems are felt most severely in those regions where unemployment rates are highest and where job creation is already very difficult.

CHAPTER 8: THE IMPLEMENTATION OF THE ESF IN THE UNITED KINGDOM: A CASE-STUDY OF LOCAL INITIATIVE IN SOUTH WEST ENGLAND.

8.1. INTRODUCTION.

The previous two Chapters have examined the "operational" objectives of the ESF and the degree of "top-down" control exerted by the UK Government and the European Commission over the implementation process. Chapter Eight now focuses on the operation of the ESF in South West England and on the role of local applicants in implementing the Fund. As we have already seen, the provision of EC financial aid is highly dependent on the submission of grant applications by organisations within member states. In the case of the ESF, about 40% of assistance to the UK is directed to applicants based in the regions. Hence it is necessary to examine how and why local applicants go about applying for ESF aid as well as the problems faced by these actors in the implementation process.

This discussion is based on two primary sources. Firstly, use is made of a series of interviews carried out with representatives of local authorities involved in making applications and with representatives of the National Council for Voluntary Organisations (NCVO) and two consultancy companies, Binder Hamlyn Ltd and J and AB Associates, involved in advising organisations thinking of applying for ESF assistance. Secondly, it uses information obtained from two short postal questionnaires aimed at Fund applicants in the private and voluntary sectors (Appendix 4).

The Chapter is divided into four parts. The first



examines the nature and geography of ESF assistance in South West England in order to assess whether the ESF's main operational objectives are achieved at the regional level. The second part focuses on the local-authority recipients of ESF grants and outlines the factors which affect varying local-government involvement with the Fund. The final two sections concentrate on the private manufacturing and voluntary sectors respectively, explaining the varying involvement of these organisations with the ESF. The emphasis throughout is on the ESF's regional objectives and implications.

Chapter Five provided a general review of the economic context within which Community Funds operate in the region. However, at this juncture, since the major aim of the Fund is to improve or safeguard employment prospects, it is worth elaborating on the unemployment situation in South West England. Table 8.1 shows the substantial variations in unemployment rates throughout the region. In October 1986 these ranged from 18.3% for Cornwall as a whole, to 9.3% for Gloucestershire. Moreover, at the Travel to Work Area level unemployment reached 23.4% in Newquay (Cornwall) and at the other extreme was just 7.3% in Cirencester (Gloucestershire) (Employment Gazette, December 1986). These variations are reflected in the fact that only Cornwall is designated as a priority area under the ESF Guidelines.

Although the above figures suggest that the most needy area in terms of overall unemployment rates is Cornwall, a different picture emerges if we examine figures for long-term unemployment: the highest proportion of

long-term unemployment is to be found in Avon and Gloucestershire rather than the areas with the highest overall rates. In terms of unemployment among the Under 25 age group, which the ESF aims particularly to assist, fewer data are available at the sub-regional level. However, according to EC statistics unemployment among the Under 25s in South West England was just 15.1% in 1985. In comparison, the national average is 19.8% (Eurostat, 1987). Clearly long-term and youth unemployment rates in the South West are not as serious as in other areas of the UK. Nevertheless, parts of South West England, notably the County of Cornwall, have relatively high overall unemployment rates, making them the major focus of the ESF's regional ambitions.

TABLE 8.1. THE UNEMPLOYMENT SITUATION IN SOUTH WEST ENGLAND.

County	Unemployment Oct 1986 (%)	% long- term unem- polyment(1)	Variations in unemployment low/high(2)
Cornwall	18.3	29.5	Newquay 23.4% Truro 12.2%
Devon	13.2	32.5	Bideford 18.0% Exeter 9.8%
Dorset	10.9	31.0	Bournemouth 11.6% Shaftesbury 8.8%
Avon	10.7	36.7	Weston S.M. 14.0% Bath 9.1%
Somerset	10.6	32.5	Bridgewater 13.7% Wells 9.0%
Wiltshire	9.6	30.1	Swindon 11.2% Devizes 7.9%
Gloucestershire	9.3	35.0	Cinderford 16.0% Cirencester 7.3%
South West Average	12.0	32.7	Newquay 23.4%
UK Average	13.1	40.5	Cirencester 7.3%

Note: 1) Long-term unemployment (1987) is defined as without work and claiming benefit for at least one year.

2) At Travel to Work Area level.

Source: Employment Gazette, Dec. 1986; Regional Trends, 1987.

We can now examine whether the distribution of ESF aid in the region reflects this pattern of unemployment, given that one objective of the ESF is to concentrate spending on the areas most in need.

## 8.2. THE NATURE AND GEOGRAPHY OF ESF SPENDING IN SOUTH WEST ENGLAND.

The absence of any regionally-based data prior to 1984 means that this section is based on data for the period from 1984 to 1987 inclusive. However, this time-span coincides with the four years in which the most recently reformed ESF has been in operation (Council Decision 83/516/EEC and Council Regulation (EEC) 2950/83). Moreover, in 1983 there were only three successful applications from organisations based in the region (interview with official of DE). Thus the study period commences at the time when the ESF first became a major source of assistance for local labour-market training policies.

Since 1984, the Fund has channelled grants totalling £7.86 Million to projects in South West England. This figure represents a 50% contribution to training and employment measures and therefore the ESF has participated in public investment on local employment policies totalling £15.7 Million. Moreover, this assistance has been restricted to certain types of priority scheme which favour projects being carried out in the area with the highest unemployment rates, namely Cornwall. For example, schemes aimed specifically at the over 25s are limited to priority areas only. It is evident, therefore, that the ESF is a significant actor in the provision of employment and



training related schemes operating at the local level.

It should of course be emphasised that these figures are relatively small in relation to the volume of ESF aid which is nominally directed towards MSC programmes operating in the region. Indeed, from 1984 until 1986 the ESF assistance allocated to MSC schemes, on the basis of the share of expenditure being carried out in the South West, amounted to £19.27 Million (unpublished data provided by the MSC). Apart from the MSC programmes operating in the region, other national organisations such as the Department of Trade and Industry, British Shipbuilders, Industrial Training Boards and Water Authorities, also operate nationwide schemes which are funded by the ESF on the basis of the share of expenditure taking place in priority areas. However, as Chapter Seven demonstrated, in reality this money goes to the overall support of national schemes and it is impossible to identify the particular beneficiaries of this aid in any particular region. Therefore, these schemes are not included in this analysis. Of course, that is not to say that the schemes themselves are not of benefit to young and unemployed people in the region.

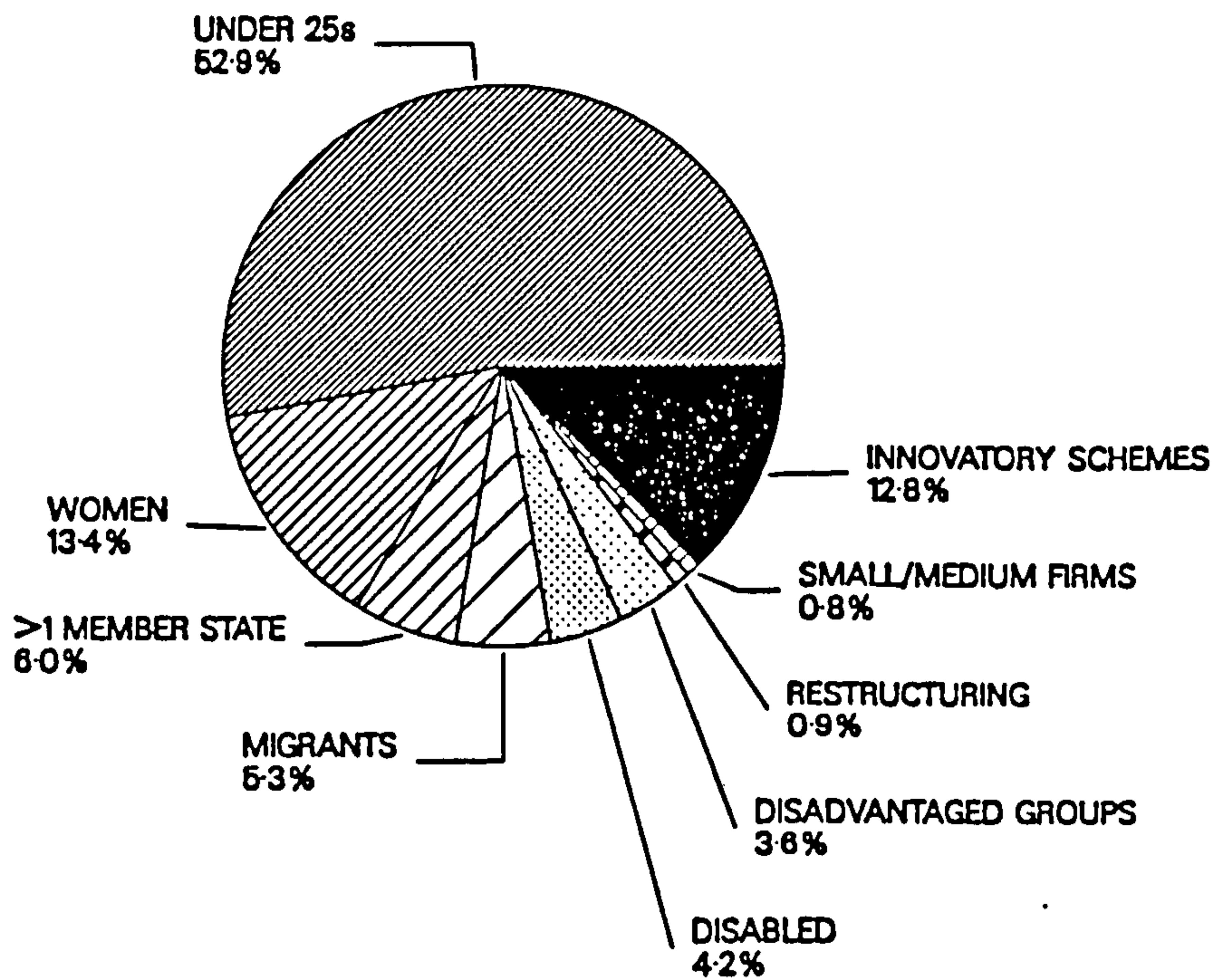
The beneficiaries of the assistance to schemes located in South West England are described in Table 8.2 and Figure 8.1. It is noticeable that assistance to locally based projects is spread across a wider range of provision than the national profile outlined in Chapter 7. In the UK as a whole 89% of ESF receipts have gone to train young people under 25 and particularly those under 18 on the YTS scheme, whereas in the South West region the Under 25s

FIGURE 8.1.

# THE BENEFICIARIES OF ESF-FUNDED TRAINING IN SOUTH WEST ENGLAND, 1984-1987

BY POINT IN GUIDELINES

TOTAL = £7.858 MILLION



account for only 52.6% of assistance. This reflects the fact that overall national receipts are dominated by the YTS which is aimed at the under 18 age group.

TABLE 8.2. THE BENEFICIARIES OF ESF GRANTS IN SOUTH WEST ENGLAND, 1984-87.

Recipient group	£000's	%
Under 18s	427.7	5.4
Under 25s	3711.0	47.2
Women	1046.0	13.3
Schemes in 2 or more member state (1)	467.6	6.0
Migrants	418.1	5.3
Disabled	328.7	4.2
Disadvantaged groups(2)	284.5	3.6
Restructuring	73.4	0.9
Small/medium enterprise	60.2	0.8
Long term unemployed	42.2	0.5
Innovatory schemes	998.5	12.7
<b>Regional Total</b>	<b>7857.9</b>	<b>100.0</b>

Note: 1) These include projects which involve exchanges between trainees on schemes operating in different countries.

2) The Guideline aimed at disadvantaged groups, which had been interpreted to include ethnic minorities, was withdrawn after 1985.

Source: Data provided by the Department of Employment.

Turning to the other categories of beneficiary, we see that women receive approximately 12% of assistance in South West England. Projects aimed at the female proportion of the workforce are awarded grants under the Guideline which gives priority to schemes training women in occupations in which they are under-represented. A further 12% of aid has been directed to innovatory projects. The remaining grants to the South West have been divided among a number of categories of beneficiaries such as migrant workers, disabled persons, and workers in industries undergoing restructuring.



Figure 8.2 and Table 8.3 illustrate the spatial pattern of this ESF assistance within South West England. The map shows the total allocation of grants and the spatial variation in the involvement of local authorities, private manufacturing and voluntary sector organisations with the ESF. The Table shows the distribution of spending on a per capita basis. It was not possible to break down the data to a spatial scale smaller than the County level, because most of the data, particularly those schemes run by County Councils, are not place-specific.

It is interesting to note that the map and Table indicate that the largest share of ESF aid in the region has gone to the County of Avon which has a relatively low unemployment rate. Furthermore, Avon has also won the largest share of ESF funds on a per capita basis. Avon has a local authority (Bristol City Council) with the largest spending budget in the South West, thus giving it greater potential to attract ESF resources. Moreover, it has a wider range of companies and other organisations carrying out training schemes than the less densely populated counties such as Cornwall and Devon. Figure 8.2 shows that in Avon private and voluntary sectors are involved to a much greater extent than in the counties of the "far South West". Despite the lack of priority area status, the greater volume of economic activity in the County is able to generate more applications and hence more ESF grants than the other counties in the region.

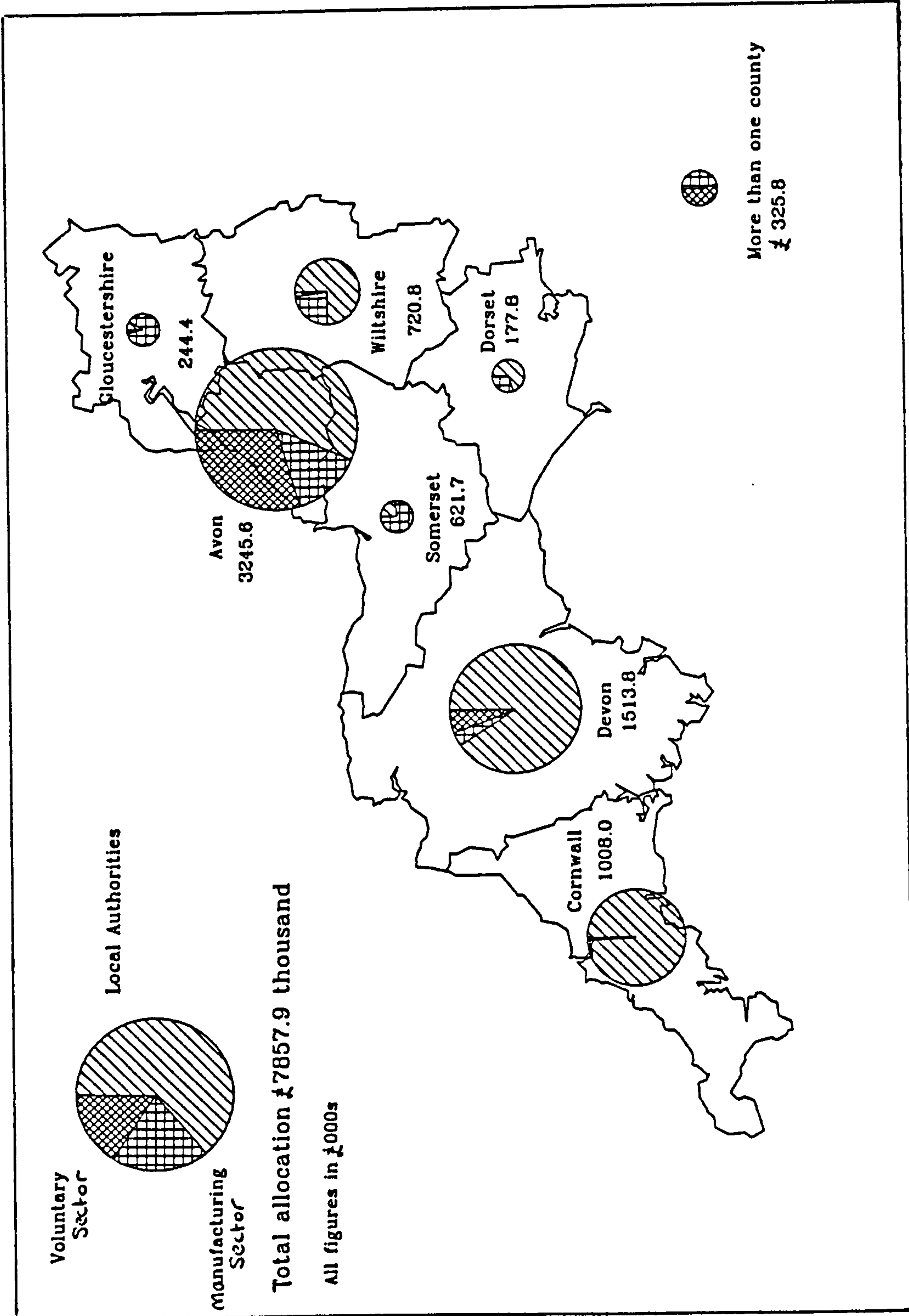


FIGURE 8.2. ALLOCATION OF ESF GRANTS TO COUNTIES IN SOUTH WEST ENGLAND, 1984-1987.

TABLE 8.3. THE PATTERN OF ESF SPENDING IN SOUTH WEST ENGLAND, 1984-1987.

County	£000's Totals	£ per capita	£ per (1) unemployed
Avon	3245.6	3.45	72.4
Devon	1513.8	1.55	31.5
Cornwall	1008.0	2.30	37.6
Wiltshire	720.8	1.34	35.7
Somerset	621.7	1.41	35.5
Gloucestershire	244.4	0.48	12.0
Dorset	177.8	0.29	7.3
more than one county	325.8	-	-
<b>Total</b>	<b>7857.9</b>	<b>1.76</b>	<b>38.9</b>

Note: 1) Per unemployed person (based on unemployment in October 1986).

Sources: Data provided by the Department of Employment; Regional Trends 1987; Employment Gazette, December 1986.

The next most successful counties in both actual and per capita terms are Devon and Cornwall which have been allocated £1.5 Million and £1.0 Million respectively. Cornwall has the highest unemployment rate in the region and has the advantage of priority area status. On the other hand, it has few large local authorities and other large organisations able to generate applications to the same degree as Avon (see Figure 8.2). The per capita share of assistance allocated to Cornwall, however, is the second highest in the region. Of the other non-priority counties, Wiltshire and Somerset are the most successful. These areas have obtained similar per capita shares to Devon, whereas Gloucestershire and Dorset have received the smallest per capita allocations (Table 8.3). In addition, a further £0.33



million has been awarded to individual training schemes involving organisations or parts of organisations in more than one county.

A major overall aim of the ESF is to deal with employment problems. Therefore, the most appropriate measure of the need of particular areas for ESF aid is unemployment. Table 8.3 illustrates the distribution of ESF assistance on a per-unemployed person basis. Again it is apparent that Avon has been by far the largest beneficiary in the region, receiving almost twice as much aid per unemployed person as any other County. The share won by Cornwall, moreover, does not greatly exceed those of Devon, Wiltshire and Somerset. The two counties with the highest unemployment rates (Cornwall and Devon) suffer because of a heavy dependence on the local authority sector to submit applications. Although Devon and Cornwall County Councils are reasonably successful, as Figure 8.2 shows, the private and voluntary sectors have made only token use of the Fund in the "far South West". In Cornwall, despite priority area status, these sectors are almost entirely absent from the list of recipients.

It is apparent that the process of allocating ESF grants is highly dependent on local initiative to generate applications. The discussion now examines the nature of this "bottom-up" initiative in more detail.

### 8.3. THE RECIPIENTS OF ESF ASSISTANCE IN SOUTH WEST ENGLAND.

The recipient organisations can be divided into three categories:

1. Local authorities - £5.03 Million (64.0%);
2. Private manufacturing firms - £1.57 Million (18.7%);
3. Voluntary and charitable organisations - £1.26 Million (16.1%).

We can now examine these three categories, concentrating in each case on the factors which lead to involvement in the ESF application process and the problems experienced by applicants which hinder the implementation of the Fund and therefore the achievement of its objectives.

#### 8.3.1. Local Authorities.

Local authorities are involved with the ESF in three main ways. Firstly, they apply directly to the ESF for training schemes run by their own departments. Secondly, county authorities apply for grants for training courses run by local education authority-funded colleges of further and higher education. In these cases, the initiative for the application will lie either in the college itself or in a department of the County Council. The third aspect of local-government involvement with the ESF is the provision of the "public-authority" contribution towards schemes submitted by voluntary and other private organisations (this aspect is discussed in section 8.3.3).

The local authorities in South West England account for almost two-thirds of the region's receipts from the ESF. The £5 Million of ESF aid over the study period represents total public investment of about £10 Million on local employment and training policies. Clearly the Fund is a

significant resource for local-government participation in this area of policy.

Table 8.4 illustrates the particular authorities which have benefitted from ESF aid and the groups which have undergone training supported by the ESF. The Table shows that the largest local-authority recipient has been Bristol City Council which is not an Education Authority and therefore has no colleges under its financial control for which it can make applications. Moreover, Bristol is not located in a priority area and many of the Fund Guidelines are not open to the City Council. Nevertheless, the City has made substantial use of the opportunities which are available.

Apart from Bristol City Council, the other largest beneficiaries are Devon County Council and Cornwall County Council. These authorities are able to benefit from the ESF for training schemes operated by Colleges of Further and Higher Education. For example, Devon has obtained assistance for catering courses run by Plymouth College of Further Education. One award to Plymouth CFE was for a scheme operated in conjunction with a college in France. Thus, Devon is the only authority in the South West to have received assistance under the Guideline which provides aid to schemes involving organisations in two or more member states. Cornwall County Council has obtained aid for training being carried out at colleges such as Cornwall College of Further Education at Falmouth. Indeed, according to an officer in Cornwall County Council Planning Department, in 1988 all vocational training going ahead at colleges in Cornwall is being part-funded by the ESF



Type of Scheme (classified by Guideline point) (£000s)

Local Authority	18	25	Women	migrants	disabled	Res-(2)	(3) LTU	dis-(4)	adv-SMEs	Innov-atory	TOTAL	(%)
Bristol City Council	-	374.0	771.9	418.1	26.5	-	-	-	-	238.1	1828.6	(37.0)
Devon County Council	-	762.0	-	-	86.0	249.4	-	-	-	173.0	1270.4	(25.7)
Cornwall County Council	388.5	353.5	-	-	195.2	-	32.9	-	6.0	12.4	988.5	(20.2)
Wiltshire County Council	-	107.4	-	-	-	73.4	-	-	-	105.0	285.8	(5.7)
Thamesdown Borough Council	-	-	-	-	-	-	-	30.0	-	223.7	253.7	(3.6)
Somerset County Council	-	72.4	70.0	-	-	-	-	-	-	-	142.4	(3.6)
Dorset County Council	-	123.5	-	-	-	-	-	-	-	-	123.5	(2.9)
Plymouth City Council	-	61.3	-	-	-	-	-	-	-	-	61.3	(2.5)
Teignbridge District Council	-	40.5	-	-	-	-	-	-	-	-	40.5	(0.8)
Gloucestershire County Council	-	-	-	-	21.0	-	-	-	-	-	21.0	(0.4)
Kerrier District Council	-	10.2	-	-	-	-	-	-	-	-	10.2	(0.2)
Totals (%)	388.5	1904.8	841.9	418.1	328.7	249.4	73.4	32.9	30.0	6.0	5025.9	(100)

(7.9) (37.9) (16.8) (8.3) (6.5) (5.0) (1.5) (0.7) (0.6)(0.1)(15.0) (100)

Notes: 1) Schemes involving organisations in more than one member state.

2) Schemes facilitating industrial restructuring.

3) Projects helping the long-term unemployed.

4) Disadvantaged groups (e.g. ethnic minorities).

5) Small and medium-sized enterprises.

Source: Data provided by the Department of Employment.

TABLE 8.4. THE SECTORAL DISTRIBUTION OF LOCAL AUTHORITY RECEIPTS FROM THE EUROPEAN SOCIAL FUND IN SOUTH WEST ENGLAND, 1984-1987.

(interview with officer of Cornwall County Council Planning Department).

The other county councils in the region have to date made much less use of the Fund than Devon or Cornwall. However, there are indications that these authorities are beginning to become more interested in the ESF opportunity. Somerset County Council, for example, received more than three-quarters of its total ESF receipts in 1987 alone. Furthermore, in the same year Dorset County Council received five ESF grants compared with none in previous years. Gloucestershire and Wiltshire are also showing more interest in the ESF. For example, Gloucestershire has recently employed a consultancy firm to assess its potential for attracting assistance from the Fund (interview with officer in Education Department, Gloucestershire County Council).

The only county council in the region which has not received aid from the Fund is Avon. The County has preferred to leave ESF applications to the initiative of colleges under its financial control, rather than help and encourage colleges in the same way as Devon, Cornwall and Somerset (interview with Economic Development Treasurer of Avon County Council). A number of applications have been submitted by these colleges but none have been successful.

The other local-authority recipients include two of the other large urban councils; namely Thamesdown Borough Council (Swindon) and Plymouth City Council. In 1985, the former received assistance for two innovatory projects and a scheme to train ethnic minorities, but has not submitted any applications since. Plymouth City Council, in contrast to

Bristol, has received only three ESF grants, the most recent of which was in 1987. Finally, two small District Councils have received assistance for modest projects. In 1985, Teignbridge District in Devon won assistance for a scheme to train under 25s with inadequate qualifications. In 1987, Kerrier in Cornwall successfully obtained aid for a scheme to subsidise the wages of the Under 25s in order to encourage firms to take on people in this age group.

Factors explaining local authority involvement with the ESF.

The degree of local-authority involvement with the Fund is a product of a number of factors. In the case of the ESF it is not possible to make a neat distinction between those factors which determine the extent of opportunity and those which cause organisations to take up this opportunity. In the first place the extent of opportunity is less easy to define than for the ERDF, nor is it entirely determined by factors external to the authority. ESF applications need not relate to schemes which at the time of the application are guaranteed to take place. Consequently, it is possible, within certain constraints outlined below, to devise additional schemes on the basis of the likely availability of ESF aid. However, involvement with the Fund and the ability of authorities to devise applications is dependent on the following three groups of factors:

- a. existing local-authority training policies;
- b. organisational factors;
- c. the availability of information and expertise.



a) Local authorities' existing training policies.

The major role of the ESF is to provide assistance which enables local authorities to implement their own policy objectives rather than money that is applied for simply because it exists. In short, as one local-authority put it, it is important to avoid a "claimant mentality" (interview with officer of Devon County Council Chief Executive's Department). The Fund must be tethered to local policy objectives developed by local authorities and the colleges under their control rather than vice-versa. Consequently, the potential to attract ESF aid is largely dependent on whether local authorities and colleges are politically and financially committed to fund vocational training measures of the type favoured by the ESF.

Because the Fund provides only 50% of the cost of the scheme, a local authority, or local-authority college, must be prepared to finance half of the cost of an ESF-funded project. In actual fact, the authority must be prepared to fund the entire cost of the scheme because the Decision to award finance is only published in April of the year in which the scheme is taking place. If the grant is not forthcoming at this stage then the authority must either fund the whole cost of the scheme, or reduce it substantially in scope. This causes uncertainty and greatly complicates forward financial planning. Clearly, an authority and its colleges must be prepared to direct substantial sums of money towards vocational training if it wishes to benefit from the ESF.

Bristol City Council is an example of an authority which is currently committed to such a strategy. Most of Bristol's receipts stem from the creation in 1984 of an

"Employment Initiatives Division" within the Chief Executive's Department. This Division was intended to co-ordinate all the Council's training activities, the responsibility for which had previously been divided in a haphazard fashion among a number of departments. The Division's major function was to set up three Information Technology Training Centres (known as "Info-tech Centres") which would be partly financed by the ESF. The Division was given an initial budget of £1 Million to provide the public expenditure contribution to the training programmes. As a result, Bristol City Council has been awarded substantial sums of ESF aid to finance training schemes run by the Employment Initiatives Division particularly for Under 25s and women. In the light of a perceived influx of hi-tech firms such as Hewlett Packard into the Bristol area, vocational training in the field of new technology was identified as a major policy goal of the City Council. Furthermore, a commitment of this kind required substantial political belief on the part of the elected council (on which Labour was the largest party when the Employment Initiatives Division was set up) that Bristol should be involved to such an extent in local labour market employment policy. The Council's view is that it is politically desirable to be seen to be participating actively in training measures to assist the unemployed (interview at Bristol City Council).

At the other extreme, Avon County Council (which is Conservative controlled) does not run any ESF-eligible training schemes. This reflects the belief that the kind of measures favoured by the ESF are not appropriate for a



county council to undertake. The Council's Economic Development Treasurer persuaded the elected members that training of this kind was unlikely either to create or preserve additional jobs (interview with officer at Avon County Council). Thus Avon's lack of direct participation in vocational training schemes means it has no projects for which it can attempt to obtain ESF aid.

b) Organisation and Personnel.

The opportunity to win ESF aid is dependent to a great extent on the nature of a local authority's existing training policy. Unless it is politically and financially committed to operating schemes of the kind funded by the ESF, it is not in a position to apply. However, unless authorities are organised adequately and are well enough informed about the ESF they will be unable to benefit from the aid which it can provide. Thus organisational factors also play an important role in determining local-authority responses to the ESF.

Table 8.5, for example, shows that the most successful authorities are for the most part those which have the most well-developed organisational structures, involving the designation of particular departments and individuals to act as ESF (and general EC) co-ordinators. The Employment Initiatives Division of Bristol City Council, for example, is responsible for all the authority's training activities, including the City's involvement in MSC schemes such as the Community Programme and YTS as well as the Info-tech centres which function with the help of the ESF. Before the creation of this Division the Council's training activities were carried on in a disparate fashion by various



TABLE 8.5. ORGANISATIONAL STRUCTURE IN SOUTH WEST LOCAL AUTHORITIES.

County/City	Co-ordinating Department	Comments	Total ('million) receipts
Bristol	Chief Executive	Employment Initiatives Div. created in 1986. BCC also uses consultants.	£1.83
Cornwall	Planning	New member of staff appointed Jan. 1987 to deal with ESF.	£0.99
Devon	Chief Executive	1 officer spends much of his on ESF matters.	£1.27
Somerset	Chief Executive (was Planning)	EEC Liaison Officer appointed January 1987 in Economic Development Unit. Also use Consultants	£0.14
Wiltshire	No overall co-ordination.	Education Dept operates seperately from other Depts. Uses Consultants.	£0.29
Dorset	Chief Executive	First successful applications in 1987. Use Consultants.	£0.12
Gloucestershire	Education Dept.	May employ consultants - no decision yet.	£0.02
Avon	-	Does not submit ESF applications Left to initiative of Colleges	-

Source: Interviews carried out during the research.

departments and ESF applications were formulated by the Treasury (interview with officer at Bristol City Council). Consequently, the City was much less successful in attracting ESF aid.

The success of Cornwall and Devon in attracting ESF aid is also partly due to efficient organisational structures. Moreover, the designation of responsibility for ESF applications to a particular individual appears also to have been important. The Planning Department at Cornwall County Council and the Chief Executive's Department at Devon act as the co-ordinating Departments for all ESF (and ERDF) applications (interviews with officers at Cornwall and Devon County Councils). In both cases a small co-ordinating "team" of two people deal with the bulk of Community matters. In both councils one of these Officers spends about 70% of his time in work linked with the ESF. This rises to 100% when application or payment claim deadlines are approaching. The appointment of this second member of staff at Cornwall County Council in January 1986 paid immediate dividends when the County's receipts from the ESF rose from £177,000 in 1985 to £764,000 in 1987 (interview with officer at Cornwall County Council).

The ability of this officer and his counterpart at Devon County Council to generate applications is crucial to the success of the authority's ESF bids. At Devon, for example, the particularly enthusiastic and imaginative work of the Officer involved with the authority's applications has enabled the County, despite its lack of priority status, to be especially successful in attracting assistance. The authority's applications have made use of Guidelines

under-used by other applicants. For example, the County has used the Guideline which gives priority to schemes involving organisations in two or more member states for a catering course run by Plymouth College of Further Education. This application involved the officer in the County Council working very hard to identify colleges in other member states which could participate in an exchange scheme as part of the catering course. As a result, this scheme has been funded by the ESF in three consecutive years (interview with officer at Devon County Council). Devon has also received aid for a number of innovatory projects. This point illustrates the importance of not only a well-defined organisational structure, but also of individual initiative in securing ESF assistance.

The case of Somerset County Council also illustrates this point. The arrival in 1984 of an Officer in the Planning Department with a particular interest in vocational training led to an increased emphasis on the ESF as source of assistance (interview with officer in Somerset County Council Planning Department). In 1985, the Council received its first grant from the Fund for a scheme to train women at Bridgewater College of Further Education. In 1987, the Council was successful with four applications for two schemes at Bridgewater CFE and two operated by the Council itself. The submission of these applications in 1986 coincided with a report written by this particular officer on the future of EC funding for Somerset. In this report it was suggested that the County could maximise receipts from the ESF and become more aware of the wider implications of EC policies if it designated to a particular individual the



task of co-ordinating all involvement with the Community. This report eventually resulted in the appointment in 1987 of an EEC Liaison Officer in the County's Economic Development Unit (interview with officer at Somerset County Council). This example again illustrates the importance of the individual initiative of local actors in the implementation process.

The importance of designating particular departments and personnel with the task of co-ordinating ESF applications can also be illustrated by the case of Avon County Council which has received no financial assistance from the ESF either for its own departments or the colleges under its financial control. There is no department in the County which attempts to inform colleges of the availability of ESF aid or to assist with the formulation of applications. Instead, applications are left entirely to the initiative of the colleges themselves who lack the expertise needed to secure finance from the Fund. Colleges in Avon have submitted applications but all have been judged ineligible by the Department of Employment or withdrawn by the colleges because of the large amounts of administrative work required (interview with officer in County Treasury at Avon County Council). This suggests that Avon could bring some benefit for the colleges under its control if it were to revise its policy towards the ESF and provide more assistance and encouragement for colleges operating potentially eligible vocational training schemes.

Another factor which allowed both Cornwall and Devon County Councils to become involved in making successful ESF applications was their on-going involvement with the ERDF

(see Chapter 5). Awareness of EC issues built up because of involvement with the ERDF prior to 1983 created an environment within the two authorities which was receptive to other opportunities presented by the EC. The officers in the Planning Department at Cornwall County Council and the Chief Executive's Department at Devon were already well-informed on European issues and opportunities and therefore better placed to adapt to the ESF than counties such as Wiltshire, Gloucestershire and Dorset which were ineligible for the Regional Fund and therefore less well-informed about the Community in general. Moreover, the more experienced participants have developed more contacts with a variety of other recipients with whom ideas can be shared, with officials of the DE and with staff of the ESF Directorate of DG V in Brussels. These findings complement those of Glasson and McGee (1984) who discovered that counties outside the assisted areas were generally less well-informed on EC matters than their assisted counterparts. Consequently, the Counties of the "near South West" which have until recently shown little interest in the field of ESF financed employment face a wide "information gap" which must be bridged if they aim to climb aboard what one local authority officer described as the increasingly rapid "ESF Express".

c) The availability of information and expertise.

There are, however, a variety of attempts to close this "information gap". These include the monthly European Information Service produced by the British Sections of the International Union of Local Authorities/ Council of European Municipalities and Regions (IULA/CEMR), which

provides up-to-date information on a wide range of EC issues, including the ESF. Furthermore, the Planning Exchange, which is based in Glasgow, produces a variety of informative documents about EC matters.

Notwithstanding these efforts, new participants in the ESF application system lack the expertise required to interpret both the subtleties of Commission thinking and the complexities of EC regulations. Consequently, an increasing feature of the processes by which local authorities and other organisations secure ESF aid is the involvement of private consultants. Among the most widely used of these companies are Dateur Ltd, Binder Hamlyn Ltd and JCL Advisers Ltd. There are a number of reasons why some local authorities find it appropriate to pay for the services of consultants rather than make use of their own staff to devise applications. Firstly, many clients of consultancy firms are those authorities which have only recently become involved in attempting to secure European grants and are located mainly in non-priority areas. Rather than attempt to catch up with the more experienced authorities, counties outside assisted areas are tending to employ Consultancy companies to provide the necessary expertise.

Moreover, new participants in the ESF application process may not have the personnel available to devote the necessary time to compiling information about the ESF and formulating applications. In addition, the Fund's application procedure often seem very complex and arcane to those unfamiliar with the Community (interview with representative of Binder Hamlyn Ltd). Consequently, these



authorities may believe it is not cost-effective to allocate internal resources to a process which is not guaranteed to secure financial benefits. However, it is not necessarily the newest and, to-date, least successful participants in the ESF application process who consider it appropriate to use consultants. Bristol City Council and Somerset County Council both employ outside expertise to assist with applications because of these firms' existing and well-developed contacts in Brussels and familiarity with the nuances of the Commission's interpretations of the Guidelines (interview with representative of Binder Hamlyn Ltd).

Finally, the decision to use consultants may be based on political factors. For example, a Conservative controlled Council is likely to be more concerned to contract work out rather than employ its own staff.

#### 8.3.2. The private manufacturing sector.

This section is based on two sources. Firstly, information is derived from interviews carried with officials of the Department of Employment, a representative of the Engineering Industry Training Board (EITB) and with the Principal Consultant of J & AB Associates, a small Consultancy company which advises firms on training in general and assists with ESF applications in particular. Secondly, use is made of a short postal questionnaire which was directed to the manufacturing firms in South West England which have received ESF assistance between 1984 and 1987. This survey resulted in 14 completed questionnaires from a total of 25 firms which have obtained aid, representing a response rate of 56%.

Manufacturing firms have received about 19% of ESF monies in the region and the recipient companies range greatly in size. At one extreme is Westland Helicopters of Yeovil which employs 11,000 people. The list of assisted companies also includes other large companies such as Toshiba, Davy Mckee (UK) Ltd of Poole and Avimo (UK) Ltd of Taunton. At the other end of the spectrum is Helipebs Ltd of Gloucester which is a wholly independent firm employing just 48. The necessary public-authority contribution to the schemes operated by firms in the region is provided in most cases by the various industrial Training Boards, particularly the EITB which supplied 82% of the contributions to manufacturing firms between 1984 and 1987.

Table 8.6 demonstrates the kinds of scheme for which firms in the region have received ESF grants. The largest proportion has been allocated to the Under 25 age group and almost all of this is for schemes training young people to use new technology which a firm is introducing. A further 14% of aid has been allocated to a single scheme run by Westland Helicopters involving a company in another member state; namely Augusta of Italy.

One objective of the ESF is to provide assistance for small and medium-sized enterprises. However the firms in the South west which have received grants are in most cases neither small nor medium. Of the 15 companies whose details could be traced (Sell's Business Directory, 1987) only three were entirely independent firms. Moreover, only one of these had less than 100 employees. The remaining 12 companies were all subsidiaries of much larger groups. It is clear that there is an "implementation gap" between a policy objective

and its outcome at regional level. We can now examine some of the reasons why this is so.

TABLE 8.6. RECIPIENT GROUPS OF GRANTS TO PRIVATE MANUFACTURING COMPANIES.

Recipient Group	£000's	%
Under 25s	1264.0	80.6
Schemes involving more than 1 member state	218.2	13.9
Small/medium sized enterprises	54.2	3.5
Women	31.1	2.0
Totals	1567.5	100.0

Source: Unpublished data provided by the Department of Employment.

Factors explaining the level of involvement of private manufacturing firms.

There are a number of factors which help to explain why certain private companies become involved with the ESF and why others do not participate. These include:

- a. the availability of information;
- b. the extent of benefits to be gained;
- c. the problems faced by companies which apply for assistance.

a) The availability of information.

The volume of information available about the ESF is a very important factor explaining private-sector involvement with the Fund. Firms normally do not have the resources to keep themselves informed on EC matters, nor is it necessary to do so given their relatively modest involvement with the Community. Instead, they rely on external sources to inform them of the availability of financial assistance.

One source of information is the Industrial Training



Boards. The EITB, for example, deliberately set out to publicise the ESF to engineering firms (interview with official of EITB). Four of the fifteen respondents to the questionnaire indicated that they were made aware of the ESF by the EITB. Other sources of information are the various consultancy companies which exist to advise firms on training and the availability of grants. In fact, a further four respondents were advised to apply for the ESF by consultants. One such company, JCL Advisers Ltd of Swindon, actively publicises its grant seeking expertise by sending information to potentially interested companies (questionnaire source). Another firm, J & AB Associates, relies more on its reputation among companies for providing expert advice not only on grant availability but also on training in general (interview with Principal Consultant of J & AB Associates).

b) The benefits of ESF assistance.

Once firms are aware of the existence of the ESF they are able to assess whether the grants available match the training needs of the company. Companies are unlikely to devise schemes which serve no economic purpose simply in order to attract ESF aid. Indeed, it would be unwise of them to do so. The importance of ESF assistance should be measured according to whether it enables firms to carry out necessary training schemes of benefit to both themselves and the local labour market.

Of the 14 respondents to the questionnaire only three indicated that the training for which ESF aid was obtained would not have been carried out without this assistance. However, a further nine pointed out that the

Fund served either to extend and improve or alter the format of this training.

In other words, the involvement of private manufacturing firms with the ESF is partly dependent on whether they view the Fund's priorities as consistent with their own training needs. If this is the case then as one personnel manager pointed out, "any outside source of assistance is most welcome".

c) The problems of making ESF applications.

There are a number of problems faced by firms when applying for assistance which may cause them either not to apply for a grant in the first place or not to submit applications for similar schemes in future years.

The first problem identified by the respondents to the questionnaire was the complexity of the application process, which was mentioned by eight respondents. Applicants for ESF grants are required to keep very detailed records of the particular training programmes they are carrying out. These are needed both in the event of a Commission audit and when the final payment claim is submitted. The latter must provide evidence that the scheme has been carried out as intended in the original application. This large volume of administrative work prompted one questionnaire respondent to suggest that:

the large amount of documentation required to support an application and the difficulty of obtaining information with its attendant use of resources could well deter applicants (questionnaire source).

A second problem identified by the respondents in the questionnaire was the substantial time delays between either the initial commitment of assistance or the final payment

claim, and the arrival of the grants itself. For example, if a grant is awarded in March of the year in which the scheme is taking place then it is unlikely that the money will reach the firm's bank account until July or August. Moreover, the final payment of the remaining 50% of aid can often be delayed by up to 18 months after the completion of the scheme. These delays mean that firms must be able to support the training themselves until the money arrives. Paradoxically, this creates particular difficulties for the smaller firms which the Fund particularly aims to assist. As one personnel manager pointed out:

the time delays involved are probably too great for small concerns, the very area where grants of this nature would show great benefit (questionnaire source).

A third significant problem is the linear reduction which is applied to schemes prior to the final grant decision. The reduction for the over 25 age group reached 50% in 1987. Again this meant that firms needed to provide a much larger proportion of the cost of schemes. This is not necessarily important for large firms with the financial resources available to support the training. However, it is of great significance for small firms who may lack the necessary resources to finance the schemes themselves.

As a result of problems such as these, the financial gains may soon be outweighed by the difficulties which arise during the application process. In fact four questionnaire respondents indicated that they would not consider re-applying because of the financial and administrative difficulties involved. Moreover, the Principal Consultant of J & AB Associates indicated that small firms in particular



were less likely to re-apply because of these serious difficulties (interview with Senior Consultant of J & AB Associates). Indeed, the Personnel Manager of one independent firm indicated that it was unlikely to apply for any further ESF aid because the application process "is not worth the effort for the end result, particularly for a company of our size (only 110 employees) and the modest grant for which we apply". In summary we see that the implementation process mitigates against the small firms which the ESF particularly aims to assist. Moreover, such problems are particularly disadvantageous for a county such as Cornwall (a priority area) which is highly dependent on the small-firm sector.

#### 8.3.3. The voluntary and other private sector.

Once again, two main sources were used to elicit information on the involvement of voluntary and other charitable organisations with the ESF. One source was the interviews carried out with a representative of the National Council for Voluntary Organisations (NCVO) in London and various local authorities which provide the public authority contribution to schemes operated by organisations in the voluntary sector. The second source was a further short postal questionnaire to organisations of this kind which have received ESF assistance in the South West. However, a number of organisations which have received grants could not be traced and therefore it was not possible to include these in the sample. Furthermore, of the 22 which were contacted, five proved to be no longer in existence. The eventual outcome of the survey was nine completed questionnaires out of seventeen possible respondents.

The recipients included in this category are a rather disparate group of organisations, most of which are either voluntary groups or private charitable organisations. They range from relatively large and well-known institutions such as the South West branch of the Citizens' Advice Bureau and the Community Service Volunteers, to very small groups such as Bath Ethnic Minority Training Centre and Bristol Women's Workshop.

Organisations of this kind have received about 16% of the total allocated to projects in the region. In all cases the public-authority contribution has been provided by local authorities. Although in one or two cases, local-authority aid was supplemented by grants from central-government departments. Table 8.7 illustrates the beneficiaries of schemes operated by organisations in this category.

TABLE 8.7. RECIPIENT GROUPS OF ESF GRANTS TO THE VOLUNTARY AND PRIVATE CHARITABLE SECTORS.

Recipient group	£000's	%
Under 18s	39.2	3.1
Under 25s	542.2	42.9
Disadvantaged groups	254.5	20.1
Women	173.0	13.7
Long term unemployed	9.3	0.7
Innovatory schemes	246.3	19.5
Totals	1264.5	100.0

Source: Data provided by the Department of Employment.

The largest proportion of assistance has as usual been to schemes aimed at the Under 25s. However, significant shares have also been directed to schemes aimed at women, disadvantaged groups such as ethnic minorities before 1986) and to innovatory projects. Among the schemes which have

been funded in the region are, firstly, Dartington Trust in Totnes received aid for the Trust's 'South Devon Microcentre'. The course here aimed to train disabled people under 25 to use information technology. Another ESF aided scheme was that run by a women's organisation in Bristol called Cutting and Face Edge workshops. This course was a six month programme to train unemployed women in furniture making and design and was funded under the Guideline which gives priority to schemes which train women in jobs in which they are under-represented. A third example of a scheme in this category is the course to train long-term unemployed people in the use of new technology run by the South West branch of the Citizen's Advice Bureaux in Cornwall.

Organisations such as these face a variety of problems when they apply for ESF grants. These difficulties serve to limit the benefits which are derived from receiving ESF aid and help to explain the reasons why voluntary and private charitable organisations may or may not be involved with the ESF.

Factors explaining the involvement of voluntary and charitable organisations.

There are a number of factors which help explain why organisations of this kind become involved and may or may not continue to participate in the ESF application process. These factors also serve to highlight difficulties produced for such organisations by the Fund's implementation system. These factors include:

- a. the availability of information;
- b. the availability of a public-authority contribution to the cost of the scheme;
- c. a variety of other financial difficulties.



a) The availability of information.

Once again the availability of information is an important factor affecting whether organisations apply for ESF grants. A variety of sources exist to advise voluntary organisations and bring their attention to the possibility of securing ESF assistance. Of the nine questionnaire respondents, four indicated that their own research work identified the ESF as a source of aid. Others became aware of the Fund by contact with their M.E.P. or by discussions with other similar organisations which have received aid.

One other source of information not mentioned by respondents to this questionnaire, but which is generally of use to voluntary organisations on EC matters, is the London-based National Council for Voluntary Organisations (NCVO). The NCVO's International Section is very active in providing information and advising voluntary groups on ESF applications and lobbying for the interests of the voluntary sector both in the Commission and the Department of Employment (interview with Head of International Section, NCVO). The NCVO provides an information sheet to any voluntary groups which profess an interest in the ESF as a source of aid and gives advice on the likely eligibility of particular schemes and how to complete the application form.

The other major sources of advice and assistance used by organisations in this category are, firstly, the local authorities which provide the public contribution to the costs of training schemes run by these organisations and, secondly, the ESF section of the Department of Employment in

London.

b) The availability of a public-authority contribution.

Because the ESF only matches the public expenditure element of any training scheme, it is crucial that private voluntary and charitable organisations secure a guaranteed "public-authority" contribution to the cost of the project. All nine respondents to the questionnaire identified local authorities as the source of this public money, although two recipients in this category had also secured aid from central government departments. Many of the voluntary organisations which apply for ESF aid are entirely dependent on the local-authority and ESF monies in order to run their particular training schemes. Indeed, some groups, such as those training women only, were set up entirely on the assumption that both sources would provide aid (interview with NCVO). In fact, the ESF provides aid to women's groups which is not otherwise available from central government sources. As one women's group project co-ordinator commented:

the ESF appears to be the only source of funding which takes women's needs for training in areas in which they are under-represented seriously, whilst also understanding the need to provide facilities for child-care (questionnaire source).

Voluntary and charitable groups also face difficulties convincing local authorities to provide the necessary matching funding. In particular, groups training women find it difficult to secure local-authority support. The vagaries of the ESF's decision-making system create a variety of financial difficulties which serve to dissuade local authorities from guaranteeing the full cost of a scheme should the ESF grant be unsuccessful (interview with

NCVO).

One local authority which has become disillusioned with providing the public contribution to ESF projects is Avon County Council. This authority had previously been involved over a number of years with four organisations providing training funded by the ESF. However, in 1987 the Council decided that it would no longer assist with the cost of these schemes, unless the grant is to an organisation which is able to generate an income from its own activities, rather than rely entirely on local-authority and ESF finance. The County does not believe that grants to voluntary organisations result in "the creation or preservation of jobs" (interview with Economic Development Treasurer, Avon County Council). Again we see the importance of local political decisions and policies in the implementation of a Community Fund.

c) Other financial difficulties.

Apart from the problems associated with securing public finance voluntary and charitable organisations which successfully secure ESF aid face similar financial problems to local authorities and private firms. Moreover, because these organisations may have no other sources of finance these difficulties are greatly exaggerated.

The first problem is caused by the timing of the final decision taken by the Commission to award ESF aid. Unless many voluntary organisations can secure a local-authority guarantee to provide 100% of the cost of the scheme should the ESF application fail, then the scheme cannot really commence until after the decision is made at the end of April. If the voluntary organisation concerned



has devised a project which lasts the full calendar year then it must start training before it is told of the success of its application.

A second problem relates to system of payments which the ESF operates. As one voluntary organisation co-ordinator points out:

The main feature of the ESF which has always astonished me is the extraordinary budgetary system which only releases money in July of the year that the grant is for. This makes it very hard for both the organisation and the local authority providing matching funding to budget sensibly (questionnaire source).

This "advance" payment accounts for 50% of the value of the scheme. The remaining half must then be claimed after the completion of the training. As a result the final payment, which may be 25% of the year's budget, may not arrive in the organisation's bank account until up to eighteen months after the scheme has finished. One questionnaire respondent pointed out that:

these requirements are causing us constant financial crises and causing our local authorities to lose faith in this source of funding (questionnaire source).

Therefore, it is necessary to persuade the local authority to guarantee the cost of the scheme, or to convince a bank to provide overdraft facilities until the money arrives (interview with NCVO and questionnaire sources). The NCVO is often asked to write explanatory letters to bank managers who are unable to believe that any grant-making organisations could possibly operate in such a fashion (interview with NCVO). These problems often cause voluntary organisations to give up applying for ESF aid for particular schemes after about three years. By this time, the

accumulated debt caused by delays in payment may have produced more problems than the initial commitment of grant may have solved (interview with NCVO).

A final problem, which first became an issue for the voluntary and charitable sectors in 1987, is the application of the linear reduction. Before 1987 the government had always exempted voluntary organisations from this reduction in the level of grant awarded to voluntary and charitable organisations. However, in that year a ministerial decision was taken to reduce grants for the over 25s by 20%, compared with 50% for other types of recipient (see Chapter 7). From the voluntary sector point of view, this break with tradition caused many problems. As has already been explained, these organisations may have no other sources of funds for the training schemes they are carrying out. Therefore, the organisation in question is faced by the choice of either reducing the scope of the training scheme or the number of trainees, often at short notice and after the scheme has already commenced, or it can attempt to secure increased finance from an often unsympathetic local authority. The importance of national policy decisions in the implementation of a Community policy is once again apparent.

#### 8.4. CONCLUSIONS.

This chapter has shown that the ESF has developed into an important resource for training policies operating at the local level. The Fund has given local authorities and other organisations a source of assistance which serves

to increase the repertoire of local responses to problems of unemployment and inadequate levels of training, particularly in regions with the highest rates of unemployment and problems of industrial restructuring. Moreover, the Fund enables local authorities to complement the activities of the MSC - the major provider of vocational training - by operating schemes which are more geared to particular local needs. The current conditions of financial austerity faced by local government increase further the significance of the resources provided by the ESF.

One area in which the Fund has been particularly beneficial is in enabling organisations in the public and voluntary sectors to increase the scope of training provided for groups such as women and the disabled, who may otherwise be excluded from the mainstream vocational training measures. Indeed, there is evidence that, despite the particular difficulties they face, many women's organisations have been set up entirely on the basis of the availability of funding from the ESF. However, the problems associated with applying for ESF aid outlined earlier have been compounded by the difficulty of obtaining matching funding from local authorities and of convincing central government (unsuccessfully in 1987) not to apply linear reductions to schemes operated by voluntary organisations.

It is apparent that there is less concern about the "additionality" of ESF aid than the case of the ERDF. In general terms ESF assistance does secure public expenditure which adds to that which local authorities and others are



able to undertake in any case. Nevertheless, a variety of other factors constrain local authorities from taking full advantage of this additional assistance. Firstly, because the ESF provides a maximum of half of the cost of vocational training schemes, authorities must be prepared to fund at least 50% of these costs. The oversubscription of the Fund and the resulting linear reductions mean the local contribution is invariably far more than 50%. Consequently, authorities must be financially and politically committed to an active vocational training and employment policy. However, here again the spectre of central government controls on revenue expenditure serves to constrain the ability of local government to participate in these kinds of measures.

Local political factors also play an important role in determining involvement with the ESF. Authorities such as Bristol City Council and Cornwall County Council play an active role in encouraging and participating in vocational training measures. On the other hand, Avon County Council and Plymouth City Council are not involved to the same extent in the provision of training and have therefore made very little use of the ESF. There is no evidence that varying attitudes of local politicians to the ESF are polarised on party political grounds. In Avon, for example, a County which is unwilling to commit resources to vocational training, the largest party on the Council at the time of this research was Labour. In Devon, on the other hand, which has been relatively active, the dominant party was Conservative. In all cases, the initiative for involvement with the Fund has been at officer rather than

elected member level.

Apart from the political will of local authorities to provide financial resources towards training and employment policies, we have also seen that a variety of other factors help to explain the extent to which local organisations in a variety of sectors are able to generate applications (Figure 8.3). Firstly, the availability of information is an important factor determining involvement with the ESF. Secondly, organisational factors play a part in determining local-authority response to the availability of ESF aid. On this point, it is worth pointing out that best practice appears to involve the designation of responsibility for ESF applications to a particular department within the authority and particular personnel within that department who can provide the initiative to identify the wide variety of potential ESF schemes within the authority. Moreover, it is desirable to award responsibility to a department, such as the Chief Executive's, which has an overview of all local-authority activity. Whichever department is involved, it is crucial to develop a degree of inter-departmental collaboration on ESF and EC matters in general.

The ESF has the potential to play an important part in the Community's regional development efforts. Equipping people in problem regions with the skills necessary to find employment, particularly related to the introduction of new technologies, is an important aspect of regional policy. Moreover, this is related to the current emphasis in both Community and national regional policies on encouraging "indigenous development" within problem regions. Improvements in skill levels, to which the ES can

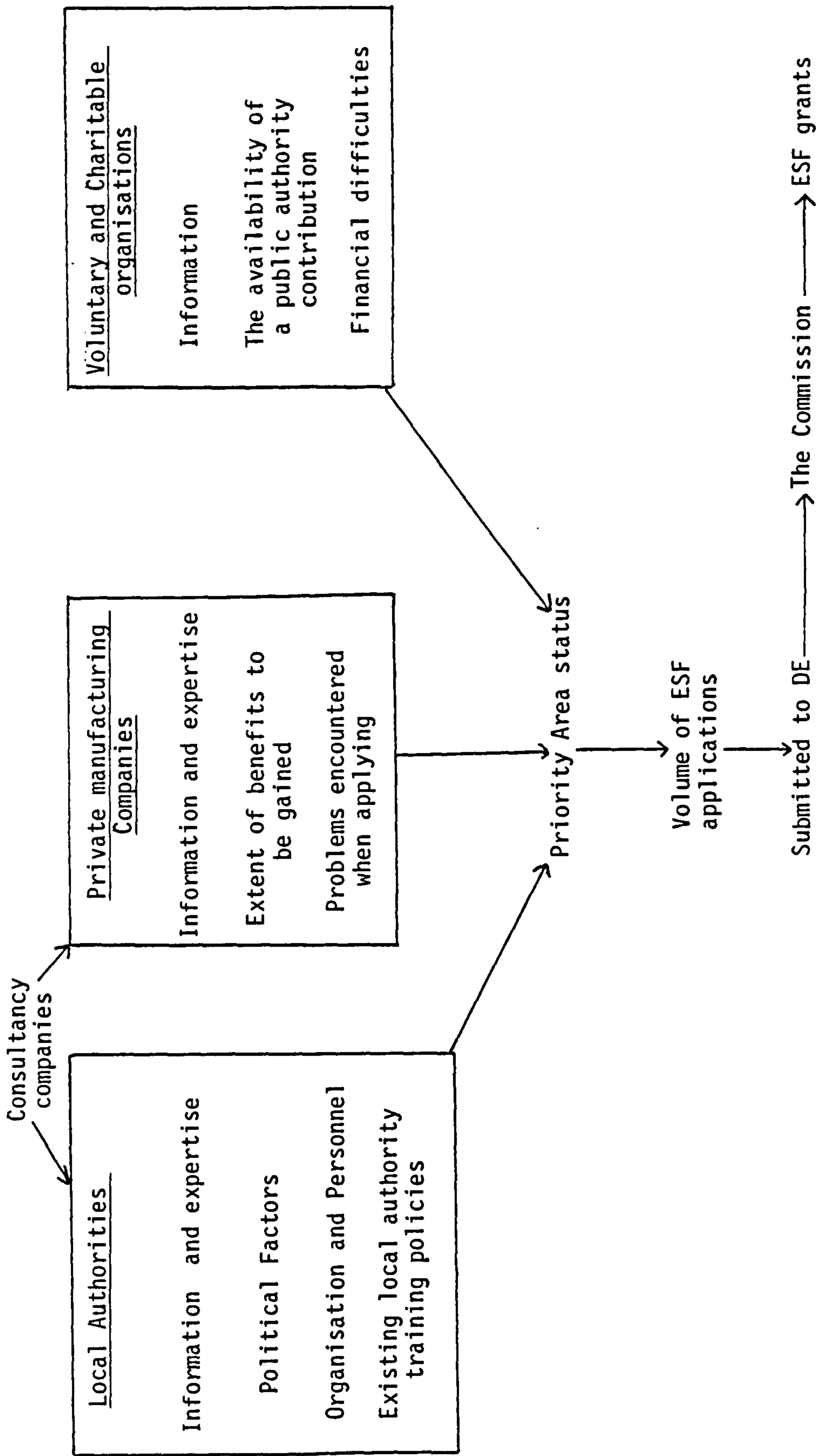


FIGURE 8.3. FACTORS AFFECTING THE INVOLVEMENT OF LOCAL AUTHORITIES AND OTHERS WITH THE EUROPEAN SOCIAL FUND.



contribute, are likely to enable local firms to expand and react more quickly to new market opportunities.

However, we have seen that the problems faced by ESF applicants can be particularly disadvantageous to organisations in problem regions, especially the difficulties related to relatively small applicants and less-wealthy local authorities. Changes to the decision-making system, such as the notification of an award of a grant prior to the actual start-date of a training scheme, can only benefit the problem regions which could obtain the greatest benefits from the ESF.

The non-regional aspects of the ESF, on the other hand, should continue to be prominent. The Fund is a source of aid which helps to diversify the range of vocational training measures in all areas of the Community. Moreover, the spatial flexibility of the Fund means it is able to target problems of unemployment in areas such as Bristol, which are otherwise relatively affluent.

CHAPTER 9: THE IMPLEMENTATION OF EUROPEAN COMMUNITY  
REGIONAL POLICY: SUMMARY AND CONCLUSIONS.

9.1. INTRODUCTION.

The processes by which European Community policies are formulated have been extensively researched by many authors from a variety of disciplines. By contrast, the means by which these policies are subsequently put into effect have received very little attention. However, it is clear that the implementation stage is crucial to the successful delivery of policy objectives.

At the beginning of this study, four inter-related objectives of the research were outlined. The two primary aims were:

1. to unravel the processes by which the ERDF and ESF are implemented in the UK (partly by means of a case-study of South West England);
2. to examine whether the implementation process facilitates the delivery of the Funds' "operational" objectives;

The secondary aims were:

3. to provide a critique of the EC's participation in regional policy and assess the role of the Community as an agent of regional development in the light of the findings of this research;
4. to relate the findings of this study to the wider debate about the relationships between the institutions of the EC.

In the light of these aims, this final Chapter opens with a summary of the principal empirical findings of the research and a critique of the way in which two Community Funds with regional objectives (the ERDF and ESF) have been implemented in the UK. It then proceeds to consider some conceptual implications of this research related to the literature outlined in Chapter One on policy

implementation. Following this, an attempt is made, on the basis of both the empirical findings and these conceptual issues, to examine the degree to which the EC functions as a "supranational" or an "intergovernmental" body and the relevance of this to the achievement of policy objectives. Furthermore, recommendations are made in the light of the findings of this study and the reforms to the three Community Structural Funds which are currently (August 1988) taking place, for a Community regional policy which could be put into practice more effectively. The final part of the Chapter highlights aspects of both Community regional policy and the EC's capacity for effective policy implementation which would seem to merit further study.

## 9.2 SUMMARY OF MAIN FINDINGS.

This section reviews the principal empirical findings of this research and provides a critique of how Community regional policy has been implemented. The study has focused on the operation of two instruments of the European Community's regional policy: namely the European Regional Development Fund (ERDF) and the European Social Fund (ESF). The former makes the Community's major financial contribution to regional policy, while the latter, although primarily an instrument of employment and vocational training policy, is also intended to contribute towards explicitly regional objectives.

Because this study has concentrated on the implementation of Community Funds in the UK, the findings outlined below cannot necessarily be extrapolated to other



member states. Community policies are implemented in different ways in different national systems. Nevertheless, these findings provide a basis for comparative studies of implementation in other member states and thus are relevant to studies taking place elsewhere.

The research was conducted over the period from September 1985 until mid-1988 and therefore the emphasis has unavoidably been on the activities of various actors involved in implementing the Funds during this period. However, where necessary, a more historical perspective has been included. The research has, however, been undertaken at what has proved to be a particularly appropriate time in both the development of the Community's regional policy and in the life of the EC itself. The adoption of the Single European Act in July 1987 has given a new emphasis to the Community's regional development objectives in the context of the need to promote "economic and social cohesion" in the unified internal market which is due to be completed by the end of 1992. The three Community Structural Funds (ERDF, ESF and the Guidance section of the European Agricultural Guidance and Guarantee Fund) are being allocated substantially increased resources and their objectives are being more specifically defined. As a result, this thesis represents a timely contribution to the continuing debate on how the Funds will best be able to serve the Community's new regional policy goals.

#### 9.2.1. Unravelling the implementation process.

The unravelling of the mechanisms by which Community grants are allocated was a major aim of this study. The research focussed on the roles of three groups of actors:

the national government in the UK; the European Commission; and applicants for and recipients of EC grants at the South West England regional level.

The dominance of national government in the implementation process.

The dominance of the member states in the European Community's political system is well-established. The pre-eminence in decision-making of the Council of Ministers and the bi-annual European Council, together with the survival of unanimous voting on issues of "vital national interest" was illustrated by the discussion of the development of Community regional policy in Chapter Two. Despite the efforts of the Commission to develop a Regional Fund which would operate on the basis of perceived "Community criteria" rather than national considerations, the member states have retained a degree of influence over the activities of the ERDF by means of national quotas (latterly indicative ranges), the designation of assisted areas and a pivotal role in the procedures by which applications for aid are made.

This study has repeatedly shown that national government involvement does not stop once a policy has been formulated. On the contrary, in the UK, government continues to dominate the means by which policies are implemented. The strong influence of national policies, considerations and civil servants is found at all stages of the implementation process and moulds the way in which Community policy is actually applied.

National government control is exercised through both formal and informal mechanisms. The main formal procedures

are the committees established to advise the Commission on the allocation of aid from both the ERDF and the ESF. The ERDF Committee has the clearest formal powers but can only reject schemes which the Commission wishes to finance if it is able to muster a qualified majority when voting takes place. However, this should not imply that the Committee's influence is minimal. Rather its existence ensures that the Commission does not recommend to the Committee projects or programmes which might find a significant degree of disfavour among a majority of the member governments (Chapter 3).

The formal powers of the ESF Advisory Committee are fewer than those of the ERDF Committee. It does not have the authority to overturn the provisional decisions of the Commission. In fact, the ESF Committee's major role relates to overall management matters rather than the consideration of individual applications. But it is consulted extensively when the Commission is devising its annual guidelines and in this respect the expertise of the various national delegations is an important aspect of the way in which the Fund's priorities are set (Chapter 6).

The formal representation of member states in the implementation of these two Community Funds is thus far from negligible. But the most important mechanisms by which national governments influence the operation of the ERDF and ESF are arguably those which operate away from the formal decision-making forums. The more informal contacts between the Commission and national government ministries play a pivotal role in the implementation of both the ERDF and ESF. This research has pointed to many examples where such



exchanges influence the decisions taken by the Commission. In the case of the ERDF, national interests are of course protected to a certain extent by the formal rules governing the operation of the Fund (indicative ranges, the use of national assisted areas, participation on the ERDF Committee). Nevertheless, the discussions between the Commission and the UK government concerning the submission of very large projects and programmes (which make the most important contributions to the UK's share of the Fund) are an important part of the decision-making process.

National influences are not built into the formal rules controlling the ESF to the same extent. However, some evidence (albeit less than conclusive) was uncovered that the Commission allocates resources according to informal quotas which satisfy the various governments. Moreover, the Commission is careful to allow governments to examine DG V's provisional decisions on the award of ESF grants and to question any decisions, particularly regarding large, nationally-funded schemes, to which they may object. Thus national influence over the ESF is felt in less formal and more subtle ways. The Commission's powers both to set the Fund's priorities and control the allocation of grants appear at first glance to be substantial. However, because these powers have been delegated by the member states in the Council, Commission civil servants must be careful not to operate against the wishes of a majority of member states.

Extensive member-state participation in the implementation process means that purely national goals are able to take precedence over the "Community" aims expressed

by the Commission. The UK Government, for example, can use Community funds to fulfill a variety of its own policy goals. The Government's policy towards both the ERDF and ESF is related to the periodic debates concerning Britain's contribution to and receipts from the overall Community budget. Indeed, as Chapter Two showed, the driving force behind the British desire to create an ERDF in the first place was the need to recoup a share of an overall budget which was perceived as being disadvantageous to the UK. Britain's budgetary disputes, which were continued under both Labour and Conservative governments, culminated in an agreement signed at Fontainebleau in 1985 which awarded the UK a large rebate on its contribution to the Community budget. The Government's policy towards Community assistance is designed primarily to maximise receipts in order to reduce Britain's overall budgetary imbalance.

Apart from its role in administering the two Funds, the UK government also plays a major role as an applicant for assistance on behalf of schemes run by its own departments. The Department of Transport in England and the Scottish, Welsh and Northern Irish offices have all been allocated substantial ERDF grants. Furthermore, the Manpower Services Commission and to a lesser extent the Department of Employment, Northern Ireland Office and the Industrial Training Boards continue to take up more than 60% of ESF assistance to the UK. These grants to national government raise the most serious questions concerning the additionality of Community assistance. Moreover, they contribute towards national budgets in a very general, spatially unspecific way and hence there is particular

concern whether the assistance is really being used for regional development purposes (Chapters 4 and 7).

In conclusion, the influence of national government interests filters through to all aspects of implementation. The member governments not only participate fully in the decision-making process but also receive a significant proportion of available finance. However, national government involvement in itself is arguably both inevitable and desirable, given the unelected status of the European Commission. What is less acceptable is that national government goals can negate and overwhelm the "Community" objectives of EC policies. In the UK, government control over the financial aspects of all Community grants means that assistance is absorbed into overall levels of public expenditure and strictly monitored by the national Treasury, leaving grave doubts whether Community resources are serving to increase and diversify spending on regional and employment policies.

#### The role of the European Commission.

The pervasive influence of national government on the ways in which the two Community Funds are allocated should not lead us to assume that the European Commission is of no significance in the implementation process. In fact, the powers of the Commission are important and have been increasing over time.

When Community policy is being formulated, the Commission has the unique ability to submit proposals to the Council of Ministers, albeit these proposals are developed following full consultation with the member states. The development of Community regional policy shows that the



Commission is in a favourable position to re-evaluate policies following periods of implementation and to propose changes in how Community Funds operate (Chapter 2). The activities of the Commission and the obligation of national governments to operate within the Council of Ministers and work towards compromise solutions has produced a Regional Fund which is not entirely devoid of a "Community" content. There has been an increase in the flexibility of the ERDF, the co-ordinated nature of its expenditure and the ability of DG XVI to influence grant allocation according to perceived Community rather than national considerations. (Chapter 3).

In relation to the ESF, the Commission's role is again very complex. Certainly it does possess a variety of powers which are of importance. For example, DG V makes the final decisions on the allocation of grants and the ESF Advisory Committee does not have the formal power to block these decisions. On the other hand, governments are able to influence overall allocations and the levels of assistance granted to larger projects. However, more modest applicants, such as local authorities and private organisations, generally regard the Commission as the most important hurdle to overcome before being awarded an ESF grant. The definition of the annual ESF Guidelines, moreover, is an important responsibility delegated to the Commission by the Council, enabling it to play a crucial role in setting the detailed sectoral and spatial priorities of the Fund. Nevertheless, as we have already seen, national political realities serve to restrict the independence of the Commission in these respects and member governments have

significant inputs into the decision-making system.

The role of local initiative.

Despite the high levels of EC assistance to schemes operated by national government, applicants for ERDF and ESF grants at local and regional levels also play a distinctive part in implementing the two Funds. Indeed, the applicant organisations, whether at national or regional level, are in one sense of fundamental importance since grants can only be allocated if bids for aid are forthcoming. It has been shown by our case-studies of South West England that there are variations in the ability of the many potentially eligible organisations to generate applications and that this has ramifications for the achievement of policy objectives (Chapter 5). Furthermore, it has been shown that small applicants are particularly disadvantaged by the ESF's application system and that this may have a particular effect in peripheral areas where apart from local authorities there are few large applicants (Chapter 8).

The case studies of South West England have shown that the initiative to apply for ERDF and ESF grants is the product of a variety of factors. Among the most important are the financial constraints imposed on local authorities by central government. Again this illustrates how national government influences all aspects of the implementation process. The volume of applications is dependent on whether authorities are committed, in a time of financial stringency, to the type of scheme which the ERDF and ESF will fund. However, other factors are important in determining local responses to the two funds. These include local political interests, the initiative of particular

individuals and the availability of information and expertise (Chapters 5 and 8). Thus, local political and administrative processes also effect the detailed outcomes of Community policies.

#### 9.2.2. The delivery of the objectives of the ERDF and ESF.

This thesis has identified the major mechanisms used by the ERDF and ESF to tackle the wider regional policy goal of reducing regional disparities. These "operational" objectives include: additionality; the concentration of spending on the poorest areas; the programme approach; and assisting small and medium-sized enterprises. The study has assessed the extent to which these "operational" objectives are being achieved in the UK.

#### Additionality.

The vexed question of "additionality" is never far from the surface of any discussion about the efficacy of Community assistance. In the UK and elsewhere there is, at the very least, widespread doubt whether Community funds are really providing resources which serve to increase the volume of spending on regional and employment policies. As far as the ERDF is concerned, local authorities are unable to use receipts to increase the volumes of capital spending they are carrying out (Chapters 4 and 5). Instead, grants permit local governments to diminish the burden on rate-payers of ERDF-funded schemes by reducing the amount of money authorities need to borrow. The savings made in this way are significant and make the task of applying for aid worthwhile. Nevertheless, this research recorded many complaints that the government's interpretation of the additionality principle is unnecessarily restrictive. The



government argues that likely ERDF receipts are taken into account when overall annual limits on local-authority spending are set, enabling them to be higher than would otherwise be possible. Unfortunately, it is impossible to prove this contention since one cannot judge what local-authority spending limits would have been if the ERDF did not exist. However, by taking the UK's overall ERDF receipts into account when setting national levels of local-government spending, the government effectively dilutes many of the benefits of ERDF receipts among all local authorities throughout the UK. In other words, ERDF receipts are in a sense shared by Sussex and Surrey as well as Cornwall and Cleveland.

Less criticism is expressed about additionality in the context of the ESF. However, the very large amounts of aid directed to MSC programmes such as YTS and other national schemes do give cause for concern. The Government argues that, in an era of public-spending restraint, Community aid enables more money to be spent on vocational training than would otherwise be possible. This contention is again impossible to prove. At the local level, however, additionality of a sort does seem to exist. Certainly, many voluntary organisations, private companies and local authorities are able to carry out training schemes which would not otherwise take place because of a lack of finance. However, local authorities and other organisations are restricted in their ability to participate in vocational training measures by the need to provide 50% of project costs and by government restrictions on local government's ability to raise additional finance from

ratepayers. The ability to attract ESF aid depends, therefore, on the commitment of particular authorities to vocational training and employment creation measures of the type favoured by the ESF. Consequently, larger authorities in relatively rich areas with bigger budgets, such as Bristol City Council, are relatively favoured.

The geographical concentration of spending.

Overall, it is difficult to be conclusive whether Community spending has been concentrated on the neediest areas. As far as the ERDF is concerned, national quotas and more lately indicative ranges, have guaranteed the richer states shares of the Fund, albeit the bulk of assistance has been directed towards the less affluent member states. The system of indicative ranges introduced by the 1984 ERDF Regulation has increased the scope of the Commission to strengthen further this spatial concentration (Chapters 2 and 3).

At the UK level the very fact that spending is restricted to designated assisted areas arguably means that it is being concentrated where it is most required. However, it has been shown that ERDF assistance has been spread relatively thinly among all the assisted parts of the country. The most successful areas have been the major metropolitan counties such as the West Midlands, Merseyside, Tyne and Wear and Strathclyde. However, other predominantly rural areas such as Cornwall, the Scottish Highlands and Islands and parts of Wales have also obtained substantial benefit from the Fund, particularly when receipts are measured in per capita terms.

The analysis revealed that the area of the UK which

has the highest unemployment rates, the lowest GDP and the highest priority in Community regional policy terms, namely Northern Ireland, has not apparently secured the largest share of ERDF aid. However, because the assistance allocated to Northern Ireland is absorbed into the overall levels of public spending in the province, it is impossible to determine with any precision whether Northern Ireland is receiving a share of the Fund commensurate with its needs. The ERDF aid available is only one of a number of factors which the British Government takes into account when setting overall levels of expenditure. Thus it is impossible to measure the efficacy of the Community contribution to economic development in Northern Ireland.

At the South West regional level there are again doubts whether spending has been directed to the places which need it most. The areas of highest unemployment rates in West Cornwall have received less ERDF assistance in both actual and per capita terms than Intermediate Areas in east Cornwall and Devon.

The regional objectives of the ESF are secondary to its general employment and vocational training priorities. Consequently, geographical concentration is a less explicit objective. In fact, any part of the Community is eligible to receive ESF assistance. Nevertheless, as Chapters Six and Seven showed, the Fund rules do set out some regional priorities which aim to concentrate spending in certain absolute priority areas (Greece, Southern Italy, Portugal, much of Spain, Ireland, Northern Ireland and the French Overseas Departments) and other areas of high unemployment and low per capita GDP. These rules ensure



that a large proportion of assistance goes to the least developed and declining regions of the Community (Chapter 6).

Within the UK, all regions have benefitted from ESF aid. Of the smaller proportion of Fund aid which can be identified at regional level, the most successful regions have been Northern Ireland, North West England, Scotland, Yorkshire and Humberside and the West Midlands. On per capita and per unemployed person bases, a similar picture emerges, with the North of England joining the list of most successful regions. This pattern of spending broadly coincides with the distribution of unemployed people in the UK and with the regions with the highest overall unemployment rates (Chapter 7).

Within South West England, the largest proportions of assistance in both actual and per capita terms have been directed to the City of Bristol where public, private and voluntary sectors have all been active in securing ESF aid. In contrast, Cornwall, which is the only priority area in the region, has relied almost entirely on the County Council to generate ESF applications. This criticism should, of course, not be pushed too far because the more general employment related aims which the ESF pursues have priority over its regional objectives. Moreover, the increased flexibility produced by not being tied to rigid geographical areas can be defended as a positive feature of the ESF, in that it enables problems in relatively rich regions to be targetted. (Chapter 8).

#### The programme approach.

The Community's emphasis on a programme approach is

still in its infancy and at present is largely restricted to the ERDF. The 1984 Council Regulation reforming the Regional Fund placed an emphasis on "National Programmes of Community Interest" and "Community Programmes" as ways of increasing the effectiveness of Community regional assistance. These multi-annual schemes have been greeted with enthusiasm by local authorities in the UK. As a result, the UK appears to be giving other member states a lead in putting programmes into effect. The government initially appeared unenthusiastic about the benefits of such long-term schemes but recently has shown signs of becoming more willing to embrace the new approach. (Chapter 4).

However, the authorities responsible for the development and implementation of programmes face a variety of problems which may serve to reduce the likely benefits. Both the difficulty of planning expenditure more than a year in advance and the recurring problem of "additionality" (because of continuing national control over the purse strings of both the ERDF and other local and national government expenditure) are points of contention. Furthermore, there are also bureaucratic problems for smaller organisations and local authorities who may wish to participate in these programmes. Nevertheless, many more local authorities are submitting NPCIs, including those in South West England.

#### Helping the small and medium-sized enterprise sector.

Providing assistance to the small and medium-sized enterprise sector is an objective of both the ERDF and ESF. Article 15 of the 1984 ERDF Regulation aims to help stimulate indigenous development within regions and favours

the small-firm sector. Despite the clear interest shown by local authorities in schemes of this kind, almost no Article 15 aid has been awarded in the United Kingdom. Until the middle of 1988 the UK Treasury had blocked all applications while it considered the public expenditure implications of these grants, which support the revenue rather than capital side of local-authority expenditure (Chapter 6). This is somewhat paradoxical given the commitment of the Conservative Government to promoting the small-firm sector. Moreover, it illustrates how different national government objectives may conflict when both are applied to the implementation of a Community policy.

One objective of the ESF is also to assist small and medium-sized firms. However, it is clear that this sector is greatly disadvantaged by a number of aspects of the way in which the Fund operates. The timing of decisions, payment delays, the linear reduction and the administrative capacity required all serve to hinder the small companies which the Commission is particularly concerned to assist (Chapter 7). Moreover, this has clear regional implications. In a predominantly rural county such as Cornwall, the economy is very dependent on the small-firm sector. The difficulties in applying for aid experienced by small firms are thus more keenly felt in Cornwall than in other counties such as Avon where there are more large companies (Chapter 8). Consequently, in this instance, the mechanisms by which the Fund is operated are unable to concentrate spending on small firms or on the neediest areas.



### Other objectives.

This thesis has also considered a number of other aims of the ESF. The concentration of assistance on young people has been facilitated by the Council decision which allocates 75% of all resources to schemes aimed at the under 25s. In the UK, the very high levels of aid allocated to the Youth Training Scheme (YTS) ensure that the proportion of the Country's receipts allocated to this age group is particularly high. Another aim of the ESF is to encourage schemes which are innovatory in terms of either their method or content. In both the Community as a whole and in the UK, the 5% of the ESF's budget allocated to schemes of this kind remains underspent. Moreover, it is apparent that sufficient information on innovatory schemes has not been disseminated to those involved in vocational training.

### 9.3. CONCEPTUAL ISSUES.

Having summarised the main empirical findings of the research, this section seeks to place these findings within a conceptual framework. The introduction to this study argued that an explanation of the outcomes of European Community policies must take account of the processes by which these policies are implemented. By focussing attention on the ways in which Community grants are allocated, for example, we may be able to reveal the reasons why there may be an "implementation gap" between policy objectives and outcomes. In returning to this theme, this section concentrates on two key issues:

1. the appropriateness of "top-down" and "bottom-up" approaches and models for studying the implementation of these particular Community policies;
2. the nature of the EC's political system within which these policies are implemented.

#### 9.3.1. "Top-down" versus "bottom-up" perspectives.

The opening chapter outlined two contrasting approaches to the study of policy implementation. The "top-down" approach is concerned with examining whether or not objectives decided by policy makers at the "top" are achieved. This perspective tends to emphasise the ability of these policy makers to structure and control what happens during implementation. In contrast, the "bottom-up" approach maintains that legislation cannot be initially formulated to overcome all problems encountered in practice, but is likely to undergo changes of interpretation whilst being implemented. This approach stresses the interactions between the many actors and organisations involved and emphasises that policy objectives can be changed during implementation to suit both local conditions and the different goals of the organisations involved. The bottom-up approach carries with it a value judgement that extols the virtues of "grass-roots" participation in policy formulation and implementation.

It was argued in Chapter One that the applicability of these contrasting approaches depends to a great extent on the nature of the particular policy under scrutiny. Moreover, both perspectives may be useful in that they generate different but complementary insights into how policy is put into effect.

This study began by adopting an essentially top-down approach. The operational objectives of the ERDF and ESF as defined by policy makers were identified and the extent to which they have been delivered in the UK was assessed. It was shown that there is indeed an "implementation gap" between a number of stated Community objectives and actual policy outcomes. Furthermore, the means by which the two Funds are put into effect have been examined, with an emphasis on how policy makers (the European Commission and national governments) can attempt to control the operation of the Fund in order to achieve their objectives

There are a number of reasons why this top-down perspective was considered appropriate in the initial analysis. Firstly, as Hill (1981) suggested, the use such an approach depends on being able to identify the "decision point" at which a policy is clearly ready for implementation. In this study, the Council Regulations and Decisions governing the ERDF and ESF were regarded as examples of clear "decision points". Consequently, the processes leading to the creation of this formal legislation was regarded as "policy-making" and what follows as "policy-implementation". Furthermore, Community regional policy is itself a "top-down" policy in that the initiative for the creation of the ERDF and other policy instruments originated at Community and national levels; there has been only modest "bottom-up" input into the policy formulation process.

The opening Chapter identified the work of Mazmanian and Sabatier (1983) as a potentially useful framework within which to describe and explain the operation of Community



policies and to assess whether the implementation process will succeed in delivering policy objectives. Their "top-down" model identified three sets of interdependent variables which influence implementation and these are examined in turn below:

1. the complexity and manageability of the problem;
2. the ways in which the policy can structure and constrain the implementation process;
3. the external variables which influence what happens during implementation.

There can be no doubt that regional economic disparities and the measures required to promote regional development are complex problems. The difficulties faced by various declining, underdeveloped and peripheral regions throughout the Community are extremely diverse. Moreover, there is no consensus as to the role of regional policy in encouraging economic development in these sorts of regions. In a number of European countries, particularly the UK, spending on regional policy is being reduced and attempts are being made to target it more effectively on both the neediest areas and the most deserving schemes. Moreover, the levels of ideological support for regional policy in particular and government intervention in general, varies considerably from one member state to another. In the UK it is low (Armstrong and Taylor, 1987), whereas in countries such as Greece, Italy and Spain this commitment is much higher (Yuill and Allen, 1987). At the same time, the role of the European Community in regional development is being expanded. Furthermore, the number and variety of agencies participating in economic development in general and the types of activity supported by the ERDF and ESF in particular are extremely varied. In the UK, the policy

target group or "pool of organisations" (Hjern and Porter, 1981) includes national government, local authorities, public utilities, nationalised industries, private companies, and voluntary and charitable groups. All these organisations are involved to greater or lesser extents in the provision of schemes which contribute towards regional development. In other words, EC regional policy is operated within a broad policy environment which is complex and difficult to manage.

Sabatier and Mazmanian also emphasised the importance of the ways in which policy legislation can structure and constrain the implementation process. They pointed to a variety of constraints. The first of these was how clearly policy objectives are stated. It is argued that vague objectives cause uncertainty and confusion among implementing officials. The overall goal of Community regional policy is to reduce regional disparities but it is unclear to what degree inequalities should be reduced and which particular disparities should be addressed.

The more specific operational objectives were almost universally recognised by participants in the implementation process, but only at the regional and Community levels were they generally accepted as desirable. In UK government circles there was considerably more doubt about the utility of such objectives and less acceptance of the need for either EC involvement in regional policy in particular or large scale government involvement in regional development in general. In other words, the "causal theory" behind Community regional development efforts is not universally accepted. Moreover, the government's own

objectives seemingly conflict with those of Community regional policy. For example, the major aim expressed at national government level is to maximise receipts from Community Funds and less concern is shown for reducing regional disparities.

Other factors identified by Mazmanian and Sabatier which influence how implementation proceeds include the presence of committed implementing officials and local level structuring of the implementation process. There is considerable doubt as to whether these factors are present in the case of the ERDF and ESF. Officials at the level of the Commission, appear to be committed to fulfilling policy aims. However, at the national level officials give preference to national objectives which, as we have seen, may conflict with those of the Commission. The relevant legislation pays no attention to local level structuring and mentions only that national governments will submit schemes to be examined by the Commission and the ERDF and ESF Committees. Instead, local organisation has developed over time in a haphazard fashion according to a variety of local factors such as individual initiative and perceived opportunities. This supports the view of Hjern and Porter (1981) that "implementation structures" develop by a process of "self selection" in which the individual initiative of actors at local level determines which particular organisations participate in a particular policy arena.

The third set of variables identified in Mazmanian and Sabatier's framework for explaining implementation are a variety of external factors. These include the support of sovereign groups, the attitudes and resources of



participants, media attention and the degree of public support. The latter can be virtually dismissed in the case of these two Community Funds. Public awareness of the allocation of grants remains minimal despite efforts to publicise the activities of the ERDF in particular by means of signboards and reports in the local press. The support of sovereign bodies such as national and local government, on the other hand is more relevant. At the national level there is arguably little more than token support in the UK for the regional objectives of the two Funds. In the more general vocational training arena, however, the aims of the ESF correspond more closely with the priorities of the Government. There is considerable overlap between the operation of the ESF and the activities of Government agencies such as the MSC.

Within regions, locally-elected bodies vary in their support for Community regional and employment policy activities. In South West England some authorities participate extensively in the types of measure supported by the ERDF and ESF and are very active in attempting to secure Community assistance. Others lack the political will or the available finance to participate to the same extent.

In conclusion, it is apparent that the ERDF and ESF satisfy only a limited number of Mazmanian and Sabatier's variables which contribute to the success of the implementation process. Their top-down perspective, which seeks to explain why policy objectives may or may not be achieved, helps us to explain why there is an implementation gap in the UK between the operational objectives of the ERDF and ESF and the actual policy

outcomes: objectives are not universally accepted, Community legislation is unable adequately to structure implementation and there is a lack of support from national government.

This study has shown that the "bottom-up" view can also generate insights into how Community regional policy and Community funds are put into practice. By elucidating the choices facing potential participants at this "outcome" end of the policy process, this study has shown that government controls on local authority spending, political and organisational commitment at local level, as well as individual initiative and the availability of information and expertise will all influence the degree of local involvement with Community funds.

This bottom-up perspective has also demonstrated that the operation of the ERDF and ESF has much in common with the ideas of those researchers who stress the flexibility of implementation and the lack of hierarchical control among participating organisations. The European Commission has only a certain degree of control over the allocation process (including the ability to make the final formal decisions on the award of grants, to set the annual ESF Guidelines and to choose between competing projects). However, its decisions are taken following consultation with member governments and it can exert only limited control over many of the financial aspects of the Funds, responsibility for which remains firmly in the hands of national government. Moreover, the controls which the Commission does possess have previously been delegated by the Council, on whose good will the Commission depends. Hence, "political" control, often felt in very subtle ways, is exercised by the member

states. Many of the decisions which the Commission is empowered to make are therefore the product of negotiations and compromise (Barratt and Fudge, 1981) between the Commission and the national ministries. Community legislation which at first might appear to be inflexible is in fact open to varying interpretations during discussions between the Commission and national government. Moreover, member states attempt to ensure that the Commission's interpretation accords with what they perceive are their own particular interests.

The relationships between the various participants in the policy implementation process are clearly highly complex. No single hierarchical chain of command exists. Consequently, it is necessary to examine in more detail the political structure of the EC within which Community policies are put into practice and how these institutional relationships affect the achievement of policy objectives.

#### 9.3.2. The Nature of the European Community's political and institutional system.

The review of the literature on policy implementation in Chapter One demonstrated that the framework of institutions underlying the implementation of a particular policy will have an important impact on how that policy is put into effect. Toonen (1985), for example, focussed on the differences between federal and unitary systems in this regard. He concluded that the various levels of government in federal systems produced the most complex and least effective implementation structures. It was also argued at the outset that the institutional structure of the EC has some aspects in common with a federal system but in fact is



unique. The opening chapter went on to highlight the debate concerning the "supranational" or "intergovernmental" nature of the EC. We can now re-examine these ideas in the light of the findings of this research. The emphasis is on the implications of the institutional relationships for the process of policy implementation and the delivery of the Community's regional policy objectives.

It has often been argued that "intergovernmental" decision-making has dominated the way in which the Community formulates its policies (Taylor, 1983; Webb, 1983). Developments such as the "Luxembourg Compromise" of 1966, the emergence of COREPER and the creation of the European Council are said to reflect the fact that national governments control Community decision-making in order to maintain sovereignty over economic and political matters. The evidence from our study of the development of Community regional policy in many ways supports this idea. The development of the ERDF has seen national realities dominate Community ideals; assistance is tied to nationally-designated assisted areas; funds are allocated according to national quotas; governments are closely involved in the management of the Fund and have regarded grants as subsidies for expenditure already undertaken at the national level.

However, to conclude that the emergence of regional policy in the EC was therefore the result of "intergovernmental" decision-making processes, would be a substantial oversimplification of the highly complex relationship between the various national interests and the "Community" ideals expressed by the Commission. National

interests are certainly defended within the Council of Ministers: indeed this is inevitable given the position of member states at the heart of the Community's institutional structure. However, many of the decisions which emerge from the Council are not "national", but supranational in nature; they are compromise solutions based on the different viewpoints of the member states and the "Community" considerations put forward in the Commission's proposals. In relation to regional policy, this process has produced a Regional Fund which does have an identifiable (albeit limited) "Community" content.

The crucial question is whether this supranational policy adopts a valid "Community" perspective which treats the EC as a single entity with common problems requiring common solutions. The criticisms outlined above mean that, arguably, it has not. "Community" ideals remain subordinate to a collection of national considerations.

Moreover, during implementation various "intergovernmental" factors become increasingly dominant. When policy is put into effect, national governments are able to operate more individually and are no longer obliged to seek compromise solutions in supranational institutions such as the Council of Ministers. The detailed case studies of the ERDF and ESF have shown that national government can control the operation of Community policy in order to fulfill its own domestic objectives.

Supranational institutions such as the Commission and the Fund management committees play an important part in implementation but are isolated from and unable to control many of the crucial decisions and processes operating

entirely within the member states. These conclusions clearly offer support for the view that the Community is largely a framework for intergovernmental action. Although initial policy decisions are created by supranational compromises, largely independent national concerns dominate the subsequent implementation of these policies.

There are, on the other hand, a number of problems with the intergovernmental view which have become apparent during this research. Firstly, as we have already seen, the Commission does have a degree of authority over the allocation of grants and "supranational" decision-making by the Commission, and the ERDF and ESF Committees is to a certain extent a feature of the implementation process. Secondly, the view inherent in intergovernmentalism that national governments are coherent structures which represent a single identifiable "national interest" should be rejected. UK government policy towards projects submitted under Article 15 of the 1984 ERDF Regulation is a particularly apposite example of how there can be conflict between different interests within government. Despite a Conservative Government policy which aims to assist and promote the small-business sector, Article 15 measures, which concentrate on this sector, have been blocked by the UK Treasury because of their public expenditure implications. A second example concerns UK policy towards the financing of National Programmes of Community Interest. Although the Department of Environment submits NPCIs on behalf of local organisations in the name of the UK government, there are complaints that the government subsequently fails to provide adequate finance to meet the



costs of these programmes in future years. These examples lead us to reject the notion inherent in the intergovernmental view that national government is monolithic.

The findings of this study on implementation thus provide some insight into both supranational and intergovernmental perspectives. However, neither view fully explains the relationship in implementation between the European Commission, national governments and local organisations. Chapter One outlined a number of other views of the Community's policy process. However, these appear to be even less useful in aiding our understanding of how Community policy is implemented. The idea of "interdependence" neglects the important role of the European Commission. The "transgovernmental" perspective also has little general relevance to a study of the implementation process since links between governments away from the formal decision-making forums are not in evidence during implementation. On the other hand, discussions over the creation and reform of the ERDF have involved the building of coalitions between member states which share common interests. The pressure exerted by the states of southern Europe in support of the Commission's proposal to concentrate a large proportion of the Structural Funds on these less-developed areas is one example of the appropriateness of the "transgovernmental" view of policy formulation. The suggestion that the Community institutions can best be defined as "extra-national" (Pinder, 1981) can also be questioned, given the high level of inter-linkage between national and Community institutions.

These concepts leave us with an incomplete view of the Community's complex institutional structure within which policies are implemented. Governments maintain a firm grip but the authority of the Commission in implementation has slowly increased. Supranational decision-making has created a policy with common "Community" elements, but it is dominated by national decisions, policies and considerations which are maintained and even strengthened when the policy is put into effect. Implementation therefore reflects the complexity of the Community's political structure. Although some aspects of supranational authority are apparent, national government has hitherto maintained its place at the heart of the decision-making system.

#### 9.4. POLICY IMPLICATIONS, THE CURRENT REFORMS AND THE ROLE OF THE COMMUNITY IN IMPLEMENTING REGIONAL POLICY.

Until this point the main concern of this study has been the implementation process and how policy is operated within the framework of the EC's political structure. The research findings have revealed the many difficulties encountered when Community policy is put into effect. Consequently, it is pertinent to question what form Community regional policy should take. Moreover, such an assessment should be made in the context of the reforms of the three Community Structural Funds and of EC regional policy in general which are taking place during 1988 (see Chapter 2).

This section begins by listing the major problems of existing Community regional policy which have been uncovered in this research. It then assesses how far the changes

heralded by the current reforms are likely to overcome these implementation problems. The discussion also makes some recommendations based on the findings of this research for the future development of Community regional policy.

As shown above, the major failings of the current regional policy, and of the ERDF and ESF in particular, can be listed as follows:

- a. the relatively modest financial resources available to tackle the stated goals;
- b. the vagueness of the overall goals of Community regional policy;
- c. the lack of a clear geographical concentration of resources on the neediest areas;
- d. the perceived lack of "additionality";
- e. the problems encountered in implementing the programme approach;
- f. the heavily "nationalised" implementation structure;
- g. the various problems of the decision-making systems;
- h. the difficulties encountered by the ERDF and ESF in assisting small firms;

#### The inadequacy of available resources.

As was argued in Chapter 2, a major failing of current Community regional policy efforts is the relative paucity of available resources. The February 1988 European Council meeting agreed with the Commission proposal to double the resources available to the Structural Funds by 1993. In fact, by 1992 the Funds will account for about one-third of the Community budget as opposed to approximately 18% at present (European Information Service No 90). This increase is clearly to be welcomed by those who believe that the Community has an important role to play in developing the regions of Europe.

However, the twin issues of doubling the size and



increasing the geographical concentration of the Funds raise doubts about whether some regions have the capacity to absorb large increases in assistance. Howells (1988), for example, argues that this may be a particular problem in Southern European regions which "lack a large industrial base and where the number of potential, worthwhile, indigenously-based schemes can often be small". Howells goes on to suggest that this may lead to resources being spent on highly visible, large-scale infrastructure projects with little thought of how to stimulate the industrial activity which could benefit from the improved infrastructure. The findings of this study offer some support for Howells' arguments. The Development Areas of South West England, which nominally have priority for ERDF funding, have been unable to generate as many applications as the relatively less needy Intermediate Areas. This emphasises the importance of looking at the capacity of particular areas to generate applications for Community aid. In South West England, for example, a large proportion of assistance to the region is won by public utilities such as South West Water Authority. The privatisation of these organisations could have serious repercussions for the continuing flow of ERDF aid into the region.

#### Vague overall goals.

Although this research has shown that the participants in implementation were aware of the broad aims of EC regional policy, the fact is that aims such as "reducing regional inequalities" and concentrating on the "most needy areas" are in practice very vague. Poorly defined goals mean that Community policy is spread thinly

over a wide range of sectoral and geographical targets. In response to such criticisms, the Commission identified five specific objectives for all three Community structural Funds at the beginning of the current reform process (Commission, 1987a) and these were accepted by the European Council meeting held in Brussels in February 1988. The five agreed objectives are:

1. developing less-developed regions (Objective No 1);
2. converting regions and smaller areas seriously affected by industrial decline (Objective No 2);
3. combatting long-term unemployment (Objective No 3);
4. combatting youth unemployment (Objective No 4);
5. a) modernising agricultural structures and  
b) developing rural areas (Objective No 5 a. and b.) (Council Regulation (EEC) 2052/88).

A concentration on these specific objectives is to be welcomed from the point of view of increasing the effectiveness of regional policy. However, there remain doubts over just how exclusive the stated objectives will be. These doubts concern, firstly, the extent to which the reformed Funds (particularly the ERDF) will be geographically concentrated and, secondly, whether the reformed ESF will really focus more explicitly on youth and long-term unemployment.

The Commission's aim when formulating its proposals was to concentrate spending on a limited number of underdeveloped areas and certain declining industrial areas. Thus it represents a strengthening of the "operational" objective of concentrating spending in the neediest areas (Chapter 3). However, the subsequent negotiations have raised doubts whether this concentration will actually

materialise. One criterion in the original Commission proposal for defining regions suffering from industrial decline was that eligible areas should have unemployment 15% above the Community average. However, the Council negotiations resulted in this variable being changed to simply unemployment above the Community average. Consequently, many areas will be included which would otherwise have been ineligible. Secondly, it seems likely that other regions which do not fall into the less-developed or declining industrial categories will be eligible for ERDF aid under Objective 5 concerned with rural areas. For example, the UK Government has successfully negotiated for the inclusion of Devon and Cornwall, Mid Wales and the Highlands and Islands of Scotland in this category (European Information Service, No 92). As Chapter Four showed, these areas are among the largest per capita beneficiaries of ERDF aid. Therefore, their continued eligibility is to be welcomed by both local authorities seeking grants in these areas and the UK Government as it attempts to maximise receipts from the Fund. It is probable that other member states, particularly France, will have comparable areas which will also be included. However, from the point of view of concentrating spending in the neediest areas, the retention of these areas can be criticised.

The concentration of the ESF on youth and long-term unemployment has raised concern, particularly among voluntary organisations in the UK (interview source and Memorandum from National Council for Voluntary Organisations, House of Lords, 1988), that groups such as women, the disabled and ethnic minorities will no longer be



able to receive assistance. However, the UK Government maintains that there will be scope for these groups to continue to receive aid within the framework of the five objectives. For example, these groups may continue to receive grants for schemes aimed at young disabled people or long-term unemployed women. From one point of view this development is welcome since, as Chapter Seven showed, many of these groups are particularly reliant on ESF aid. Again, however, there seems little point in outlining specific objectives which turn out to be vague enough to allow everybody who was previously receiving aid to continue to do so.

#### The lack of additionality.

The perceived lack of "additionality" in the provision of Community funding seems likely to continue as a problem. National government, in the UK at least, will persevere in its policy of limiting public spending from all sources. Furthermore, the British Government will continue to view Community financial assistance as a mechanism for "winning back" a share of the UK's overall contribution to the Community's budget.

However, it is appropriate to question whether "additionality" should be a desirable objective of Community aid in the more affluent member states such as Britain. If we assume, as Armstrong (1985) argues, that local and national decision-makers are best able to decide which particular projects are most appropriate for the development of certain regions, then it could be argued that the most worthwhile schemes are those given priority and already funded from national sources. There is therefore

a danger that truly additional Community assistance may lead to the funding of schemes which have only marginal benefit for the areas in which they are located. Community aid may then become associated with projects which have only limited value.

Arguably, it is not "additionality" which the Community should seek but "complementarity". In other words, Community aid should aspire to a qualitative improvement in regional development efforts. The increased emphasis in the current reforms on a programme approach would seem to be an ideal mechanism for strengthening the complementary nature of Community funding and thereby increasing its effectiveness. The evidence from this study is that programmes may provide a catalyst for increasing co-ordination of organisations participating in regional development activities, whether at local, national or Community levels. For example, local-authority officers involved in the Plymouth submission for a National Programme of Community Interest stated that District and County Councils and public utilities such as South West Water Authority were co-operating more effectively because of the need to produce a co-ordinated programme for the development of the area in order to secure ERDF assistance (Chapter 7). Moreover, the process of devising programmes leads to a more rigorous, co-ordinated assessment of the economic development needs of particular areas. It is this qualitative improvement in regional development measures which Community financial assistance should seek, rather than a spurious quest for "more of the same" additionality. In the poorer member countries, however, where very

important schemes may not go ahead because of inadequate resources, additionality in itself is a much more appropriate objective.

There is, of course, no reason why these sorts of programme should not be precipitated by entirely national assistance and initiatives. However, in the absence of such nationally organised schemes, the involvement of the Community is welcome.

#### Problems of the programme approach.

Of course, the programme approach has been shown to have problems. For example, interviewees in this research pointed to the difficulty of planning in advance when local-authority finance is guaranteed only on an annual basis (Chapter 4). Moreover, the proposed extension of the programme approach to the ESF is also problematic. One question concerns whether ESF programmes will be based on limited geographical areas or will be sectorally and perhaps nationally based. There would seem to be many difficulties associated with devising areal ESF programmes when applicants from a particular area may be very diverse. Chapter Eight showed, for example, that a large variety of organisations with very different needs and objectives are involved in applying for ESF grants in South West England. However, it would seem possible for a single large applicant, such as Cornwall County Council, to group together its own schemes into a single multi-annual programme.

National sectoral programmes may be easier to devise but would require national or even Community based organisations to prepare them. These could include schemes



such as a national programme aimed at training long-term unemployed women prepared by the National Council of Voluntary Organisations. A second example could be a programme aimed at training young people to use new technologies organised by the nationally based Association of County Councils. Other national organisations which could perform this task include the new Training Commission (which has superseded the Manpower Services Commission) and the Industrial Training Boards. It is possible that the Department of Employment may need to become more involved in devising programme applications and there would certainly need to be much greater co-ordination between both national and local organisations than at present. Moreover, an increased number of nationally-run programmes would make it more difficult for the ESF to contribute in a meaningful way to regional objectives.

#### Problems of decision-making.

This study has identified a number of aspects of the decision-making system which allocates the ERDF and ESF which require improvement. One of the major elements of the new reforms designed to make such improvements is the notion of a "partnership" between local, national and Community institutions (Commission, 1987d). The aim is to increase consultation between all participants from the very early stages of programme design. This is intended, firstly, to allow a decentralisation of decision-making from the Commission to the national government and down to those involved at the regional level and, secondly, to permit the Commission to participate at an earlier stage in the design of local programmes and strategies. In other words, the

Commission's intention is to reduce the dominating role of national government and simultaneously to increase both the authority of the Commission and the input of "bottom-up" local initiative into the policy formulation and implementation process. We have seen that, hitherto, EC regional policy has been predominantly "top-down" in nature. Any attempt to increase the participation of those closest to the needs and conditions of particular regions is welcome. How the system will work in practice remains to be seen, but this study suggests that it will be difficult to weaken the grip of national government.

In any case, the continuing involvement of national government in the implementation process is welcome from the point of view of controlling the activities of the unelected Commission. There is no reason why the Commission should be given a completely free rein to allocate Community funds as it pleases within the member states, nor is it in the best position to do so. On the other hand, it is not justifiable for national governments to subvert the Community objectives of the Funds during the implementation process in order to fulfill entirely national aims. Community objectives such as additionality (or "complementarity"), the programme approach and encouraging internally generated development are seen as laudable objectives by the "consumers" of regional aid based in the regions and the ability of governments to hinder them should be reduced. In any case, as Chapters Four and Seven demonstrated, national interests are already well-represented in the supranational management committees and the informal negotiations carried out while the Commission deliberates on whether to fund

submitted schemes.

As far as the ESF is concerned, it is clear that certain reforms in grant allocation procedures are required in the Fund Regulation. The main requirement is for a change in the timing of decisions. It is important that recipient organisations are informed of the decision to award aid before the scheme actually commences. In other words, because ESF aid is awarded for schemes which start in January, decisions should be announced in December rather than in March or April. This would allow all beneficiaries to plan spending with greater confidence. Small organisations would particularly benefit from a change such as this; no bad thing given the problems faced by such organisations unveiled in this research.

In conclusion, despite the difficulties encountered during implementation and the seeming lack of national government enthusiasm in the UK for a "complementary" Community regional policy, this research does not contradict the belief that the EC has an important role to play in the attack on regional disparities. The Community, in co-operation with national and local authorities, is able to strengthen and diversify existing regional policy efforts. Moreover, the current reforms offer some hope that the effectiveness of Community policy in this respect can be increased. The Community's regional policy has reached a crossroads and its future progress will require careful monitoring. By examining the implementation of these particular policy instruments this research has drawn attention to an area of study which will be a rewarding subject for future enquiry.



#### 9.5. SOME DIRECTIONS FOR FUTURE RESEARCH.

This thesis has focussed on two themes, both of which are avenues for interesting further research. These were, firstly, the means through which EC Funds are implemented and, secondly, whether or not policy objectives are fulfilled.

As far as the allocation of Community Funds is concerned, a number of issues merit subsequent enquiry. Firstly, the emphasis on a programme approach to Community funding, highlighted by the 1984 ERDF Regulation and being continued by the current Structural Fund reforms, requires detailed research. This study has identified a number of problems which are arising as programmes are formulated and implemented. Consequently, other studies need to focus on the efficacy of these schemes, assessing whether they are in fact producing changes in the quality and quantity of regional development measures in areas with severe economic problems. It would be particularly interesting to examine in detail the operation of a single programme (such as that submitted by Cornwall in 1988) in order to assess its impact on local economic development.

Secondly, research is also required to assess the impact of the integrated approach to Community regional development activities. These schemes, which utilise two or more Community funds as well as national financing programmes, are being given increased priority by the current Structural Fund reforms. In particular, attention should be focussed on how individual Integrated Development Operations and Integrated Mediterranean Programmes are

implemented

In view of the "implementation gap" between aims and objectives revealed in this research, careful analysis is needed of how EC funds contribute towards the achievement of the five Objectives set out in the framework Regulation (Council Regulation (EEC) 2052/88). Clearly there is a general need for more explicit concern in the future with how the Community's increasingly prominent regional development objectives are put into practice.

Furthermore, future research should also focus on comparisons between the findings of this study and the patterns of implementation in other member states. Community policies are formulated by a process involving all member states, yet the ways in which they are subsequently put into practice may differ greatly from one country to another. In this respect, future studies should concentrate, firstly, on how other national governments influence the implementation process (Do other member governments show a greater commitment to the goals of Community regional policy or do they exert equally tight controls on the grant-allocation process?) and, secondly, on the role of regional and local organisations in putting Community policies into effect.

The use of concepts and models derived from the literature on policy implementation could also be profitably applied to the study of other EC policies. In other policy areas, the ability of the Commission and other supranational institutions to exercise "top-down" control may be greater. Member governments may be less able to subvert Community objectives in favour of their own national goals

and interests. Whatever other studies may reveal, it is clear that studying how Community policies operate can help to shed more light on the nature of the EC's evolving political system. Moreover, the changes in decision-making and the commitment to completing the common internal market by the end of 1992 give such studies added importance. The Community is changing, yet the extent to which supranational institutions will replace or supersede nationally-dominated implementation structures and interests remains unclear.

By examining the operation of a policy with explicit spatial objectives, this study has shown that geographical outcomes are heavily influenced by the process of policy implementation. Consequently, political geographers could shed more light on the spatial outcomes of public policies by focussing, as political scientists and others have done, on how these policies are put into effect. This thesis has thus taken some steps along a number of research pathways which geographers and others may wish to follow further.



APPENDIX 1.

LIST AND DATES OF INTERVIEWS CONDUCTED AND ORGANISATIONS  
REPLYING TO QUESTIONNAIRES.

1. Interviews in South West England.

- Cornwall County Council - Mr D.Pattison. Planning Department  
15.10.85; 4.11.86; 22.6.87  
- Mr J.Connolly. Planning Department  
4.11.87; 22.6.87
- Devon County Council - Mr J.Mitchell. Chief Executive's  
Department. 11.11.86; 9.7.87  
- Mr S.Smith. Chief Executive's  
Department. 11.11.86; 9.7.87
- Plymouth City Council - Mr P.Smith. Chief Executive's  
Department. 16.2.87; 18.7.87  
- Mr D.Howes. Principal Accountant  
17.6.87
- Somerset County Council - Mr T.Hart. Planning Department  
25.6.87  
- Ms A.L.Taylor. Economic  
Development Unit. 25.6.87
- Avon County Council - Mr R.Jones. Economic Development  
Treasurer. 24.6.87
- Dorset County Council; - Mr J.Thomas. Education Department  
3.4.87
- Gloucestershire C.C. - Mr M.Harris. Education Department  
8.4.87
- Bristol City Council - Mr R.Coles. Employment Initiatives  
Division. 24.6.87
- Kerrier D.C. - Mr A.Bruce. Economic Development  
Unit. 23.11.86
- Carrick D.C. - Mr R.Dodge. Planning and  
Development Department. 22.1.87
- South Hams D.C. - Mr P.Gould. Finance Officer.  
12.3.87
- Restormel D.C. - Mr J.Marshall. Industrial  
Development Officer. 21.6.87
- North Cornwall D.C. - Mr N.Pendleton. Planning and  
Development Department. 23.1.87
- Penwith D.C. - Mr J.Lindfield. Industrial  
Development Officer. 23.3.87
- Torrige D.C. - Mr N.Jackson. Treasurer. 10.2.87

- Teignbridge D.C. - Ms A.Mandler. Chief Executive's Department. 16.7.87
- South West Water Authority - Mr A.Norris. Finance Officer. 23.1.87.
- South Western Electricity Board - Mr R.James. Finance Department. 1.2.87.

## 2. UK Government Departments.

- Department of the Environment
- Mr R.Vaughan. Bristol Regional Office. 25.3.87.
  - Mr J.Zetter. Regional Policy Division. 7.7.87.
  - Mr S.Town. Regional Policy Division. 7.7.87.
  - Mr P.Morgan. Regional Policy Division. 24.2.87.
- Department of Trade and Industry - Mr J.Cumming. Regional Policy. 8.7.87.
- Department of Employment - Mr S.Barber. Head of ESF Unit. 15.6.87.
- Mr G.Arnold. Chief Adviser, ESF Unit. 23.2.87; 28.7.87.
  - Mr M.Kennedy. ESF Unit. 23.2.87; 28.7.87.
  - Mr P.Grant. Policy Section. 28.7.87.
  - Ms. L.Jackson. Policy Section. 27.2.87.

## 3. Other UK Interviews.

- Manpower Services Commission - Mr F.Crane. Higher Executive Officer. 12.1.88.
- Engineering Industry Training Board - Mr D.Turner. Finance Section. 5.3.87.
- National Council for Voluntary Organisations - Mr B.Seary. Head of International Section. 29.7.87
- J. & A.B. Associates - Mr J.Boylin. Principal Consultant. 9.1.88
- Binder Hamlyn Ltd. - Mr T.Hart. Consultant. 11.1.88.

## 4. Interviews at the European Commission.

- DG XVI (Regional Policy) - Mr H.Christensen. Projects Division, Directorate B. 4.5.87.
- Mr R.McKenna. Projects Division, Directorate B. 5.5.87.
  - Mr S.Penny. Projects Division,





## APPENDIX 2.

### INTERVIEW SCHEDULE FOR LOCAL AUTHORITY RECIPIENTS OF EC GRANTS.

#### 1) Organisation.

Departments/personnel: Which Departments have responsibility for EC grants? Are other departments involved? How many officers are involved? Are they involved full-time or part-time? How has organisation changed since 1975? Who has formal responsibility for applications made? Do different people deal with different Funds?

Selection of projects: ERDF. How are projects selected? Are projects in particular locations given priority? What changes have their been? ESF. How are ESF projects selected? Are projects designed with ESF assistance in mind? What changes have their been in these procedures?

Applications: ERDF. How many applications are normally made? What proportion are accepted? What arguments are used to support applications? ESF. How many applications are usually made? What proportion are accepted? What arguments are used to support these applications? What changes have their been? Are more or less applications being made now or in the past? Has the 1984 ERDF Regulation made any differences?

#### 2) Co-ordination.

Other applicants: How much contact is there with other applicants in the area? What is relationship between County and Districts? Do you know how much other local applicants receive?

Programmes: Are you involved in preparing programmes? If so, how did this come about? Who provided the initiative? What does programme preparation involve? Is it worth while?

Regional Development Programmes: Do local author ities/ public utilities contribute to RDPs? Could RDPs be improved? Are they of any practical use?

#### 3) Information.

General EC issues: What are sources of information available on EC matters? What publications/ information sources are read in the organisation? Are there seminars/ conferences on EC issues? How many have been attended in the last two years? Are reports written within the organisation about

effects of EC legislation?  
What changes have there been in the amounts of  
information received?

ERDF/ESF: What information is available on the ERDF and ESF  
in particular?  
How are applicants advised on ERDF/ESF applications?  
Who provides assistance?  
Do local authorities provide advice to other  
potential applicants?  
Are consultancy companies involved?  
Is information adequate? How could it be improved?  
What changes have there been?

#### 4) Relations with national government.

ERDF: How much contact is there with DoE?  
Does DoE approach applicants concerning ERDF grants  
or vice versa?  
What help is provided with applications by the DoE?  
Is there contact after an application has been  
submitted?  
Are applicants encouraged to submit unusual or  
borderline applications?  
What is the role of the DoE Regional Office?  
Information? Advice?  
What changes have there been? Since 1984?  
What improvements could be made? Are there any major  
problems?

ESF: How much contact is there with the DE?  
(Other questions as above)  
What differences between the Funds?  
What changes have there been over time?  
Improvements? Problems?

#### 5) Relations with Community institutions.

Commission: General. What contact is there with the  
Commission?  
Are there approaches from the Commission on EC  
matters?  
Are Commission officials helpful?  
ERDF/ESF. How much contact is there with the  
Commission before applications are submitted?  
Is there contact with the Commission after  
applications are submitted?  
Are there visits to Brussels to lobby on  
applications?  
How many recently? Who takes part in these visits?  
Is lobbying effective?  
Does Commission monitor ERDF/ESF-funded schemes?  
Have there been any changes? Since 1984 Regulation?  
Could there be any improvements which might be of  
benefit?

European Parliament: What is role of MEPs?  
Do they participate in lobbying?  
Is MEP well-informed?



6) General issues/ policy/ motives.

Policy towards EC Funds: What are the objectives of EC regional policy?

Are there any attempts to concentrate spending on the neediest areas?

Are any projects given priority at the local level?

Have there been any policy changes?

Does organisation apply for all available grants?

Is the authority getting a "fair" share?

Costs: Is there a budget set aside to pay for administrative costs of applying? How much does it cost to win EC grants?

Additionality: Are grants additional at local level?

Are there differences in this respect between ERDF and ESF?

Do financial benefits outweigh administrative costs?

What benefits do EC grants provide?

If there is no additionality, why apply?

Are projects planned with EC grants in mind?

Have there been any changes in this regard? Since 1984?

Role of EC grants: Are projects going ahead which would not otherwise be possible?

What would happen without ERDF/ESF grants?

Are there any differences between ERDF and ESF?

Are projects planned with grant availability in mind?

Political interests: Are elected members involved?

Are they kept informed?

Are they involved in lobbying?

Are local MPs involved?

Evaluation: How is the system working?

Any general comments?

Improvements? Problems?

Any other issues of importance?



APPENDIX 3.

INTERVIEW SCHEDULE FOR REPRESENTATIVES OF UK GOVERNMENT DEPARTMENTS.

1) Organisation.

Departments: Which Departments/sections are involved with EC grants?

Which Department is responsible for the final selection of projects?

Personnel: Who are people are involved with EC grants? Which persons are involved in examining projects?

Are the same people involved in advice and consultation with applicants?

Who makes final decisions on which projects are to be forwarded to the Commission?

Who examines Programme and Article 15 applications?

Trends and Evaluation: What changes have there been in organisation?

Are more people involved now than in the past?

Could the organisation be improved? Does it work efficiently?

2) Project Examination Procedures.

Processes: What is the process through which applications go? Who examines applications first?

What happens after the initial examination?

Who takes the final decisions?

Assessment: How are project applications assessed?

What criteria are used to determine the projects which are forwarded to the Commission?

Is there any attempt to favour particular types of projects? e.g. particularly large projects or projects in particular locations? Is it just the Commission Regulations and Guidelines?

What proportion of projects are rejected outright?

What proportion of projects require further discussions with the applicants?

What proportion of projects are forwarded to Brussels without any discussion or amendment?

Are projects put in order of priority for EC funding?

Are all eligible applications sent to Brussels?

What is the timescale for decisions on which projects are to be sent to Brussels?

(n.b. 3 categories of project: (i) Eligible projects forwarded to Brussels without further a mendment or discussion (ii) Projects forwarded to Brussels following significant am endment (iii) Projects rejected outright by the Department?

Regional Office (ERDF only): What is the role of the Regional Office?  
What proportion of projects are rejected by Bristol?  
How autonomous is the Regional Office?  
Does the Regional office lobby for South West projects?

Trends and Evaluation: Are there more applications now than in the past? What is impact of revised ERDF regulation? Why does the DoE submit more applications to Brussels?  
Have changes lead to many more applications from authorities in the regions?  
What are the implications of the changes for the potential recipients of grants? e.g. Reliability of grants; increased competition? More effort required? In what way has the role of the regional office changed?  
What other changes have there been to the project selection procedures? What are implications of the new Programme approach?

### 3) Co-Ordination.

Programmes: Are applicants encouraged to submit Programme applications? What is DoE view of these Programmes? Are they unnecessary complications or are they useful mechanisms for promoting regional development?  
Are potential programmes discussed with applicants? What are views of IDP's involving more than one Community fund? Are they unnecessary complications or are they useful mechanisms for promoting regional development?  
What are views on Article 15 schemes? Is the DoE involved with these? Why are they being held up by the Treasury?  
How are programme applications examined?  
Are they given priority by the DoE?

Regional Development Programmes: Does the DoE contribute to the writing of the RDP? Do local and public authorities?  
What is the role of the RDP in the examination of projects?

### 4) UK Regional Allocation.

Informal Quotas: Are there mechanisms for allocating shares of the ERDF to the regions of the UK? e.g. Informal quotas?  
Who decides these? On what basis are they calculated?  
How are they applied?  
Are there quotas applied to the ESF?  
Is the allocation on a purely competitive basis?

Regional Applications: What proportions of the applications come from the various regions? Do some regions submit more applications than others? Why might this be so? How important is the number of applications in determining the regional allocation?



Are some regions and areas better organised than others?

What other factors affect the regional allocation of the funds? Scottish and Welsh Development agencies? Lobbying?

Are there any data on the numbers of applications (successful or otherwise) from the various regions?

South West: Is there any policy to concentrate on particular parts of the region (or any other region)? Is the South West getting a 'fair' share? What factors influence the Region's allocation?

Trends and Evaluation: Has the informal quota always existed? What is the impact of the revised Regulation on the informal quota? Will it be more difficult to apply? Are the regions receiving 'fair' shares of the ERDF/ESF?

#### 4) Information and Guidance Provided.

Information: What literature does the Department provide for applicants?

Is information provided in response to enquiries or sent automatically to potential recipients?

Does Department organise or attend conferences on EC affairs? Does the Department give Guidance before applications are received by the DoE?

#### 5) General Issues and Policy.

Size of Budget: Is the budget significant compared with comparable National spending?

Additionality: What is the the DoE view on additionality?

What benefits do L.A.'s get from grants if they are not additional?

How will the question of additionality be affected by the emphasis on the programme approach? What about Article 15?

Is the ESF the same as the ERDF as far as additionality rule is concerned?

Regional Policy: What are the objectives of the ERDF/ESF/?

What are the objectives of EC Regional Policy?

How important are the EC funds for regional development?

How important are they for obtaining a share of the EC budget for the UK?

Are the objectives of the funds being achieved? (How are they being achieved or why are they not being achieved?)

What is the role of EC financing for recipients? For the UK Government?

What is the role of the Commission in Regional Policy?

What is the role of the recipient authorities?



Evaluation: Is there any attempt to monitor the effects of EC spending and evaluate whether objectives are being achieved?

Does the UK review the policy/funds at all? Is there any kind of annual report?

What is the view on the whole question of getting grants from Europe? Would it be easier and more effective to simply obtain a block grant from Europe and distribute it according to national priorities?

APPENDIX 4.

QUESTIONS ASKED IN SHORT QUESTIONNAIRE TO VOLUNTARY,  
CHARITABLE AND PRIVATE SECTOR RECIPIENTS OF ESF GRANTS IN  
SOUTH WEST ENGLAND.

Name:

- 1) Where did the idea of applying for an ESF grant come from?
- 2) What assistance did you receive in making the application and from whom ?
- 3) Who provided the public authority contribution to the cost of the training? Please specify

A Training Board

A Local Authority

Manpower Services Commission

Other

- 4) Would the training scheme have been carried out without the ESF grant ?
- 5) Did the possibility of an ESF grant change the nature of the training ?
- 6) What proportion of the money applied for did you receive ?
- 7) Were there any specific problems associated with applying for the grant ?
- 8) Will you be making any future applications for ESF grants? If so, why/ why not ?
- 9) Have you ever made any unsuccessful applications for ESF assistance ? If so, what implications did this have for the training scemes you were carrying out ?
- 10) Any other comments ? Importance of ESF grant, problems etc.

APPENDIX 5.

LIST OF PUBLICATIONS ARISING FROM THIS RESEARCH.

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