CREATING A SUSTAINABLE EUROPE:

THE ROLE OF THE EUROPEAN UNION STRUCTURAL FUNDS

A Thesis
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by

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2001-2004 *Master of Arts in Law and Diplomacy*

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Mount Holyoke College **South Hadley, MA, USA**

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2005-2007 ***Policy Researcher***

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- Researched the environmental impact of the EU's structural.
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Summer 2000 ***Summer Intern***

WWF - European Policy Office **Brussels, Belgium**

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Society for the Protection of Prespa (SPP) **Athens, Greece**

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ACADEMIC EXPERIENCE

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The Fletcher School of Law and Diplomacy **Medford, MA, USA**

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Mount Holyoke College **South Hadley, MA, USA**

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Najam, Adil, Ioli Christopoulou and William Moomaw. 2004. "The Emergent 'System' of Global Environmental Governance." *Global Environmental Politics* 4(4): 23-35.

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ABSTRACT

The aim of this research project is to examine the effectiveness of the structural funds in assisting the transition of the European Union (EU) toward sustainable development. Specifically, the study examines how cohesion policy has responded to the sustainable development imperative and to the requirement of environmental integration.

EU cohesion policy seeks to ensure that the benefits from the integration process are distributed equitably across different groups and regions, through its main financial instruments, the structural funds. The questions that the research project addresses are: 1) how have the structural funds addressed sustainable development and especially its environmental pillar? and 2) why have the structural funds been applied in the way that they have, and to what extent has their application supported the realization of sustainable development? The research explores whether the EU's governance system can effectively respond to changes in policy priorities.

Having established that the regulatory framework of cohesion policy has incrementally integrated environmental considerations, this project undertakes a comparative case study of the application of the structural funds in Greece, Ireland, Portugal, and Hungary. Specifically, the research traces the evolution of environmental integration in programmes co-funded by the EU in these four member states over several programming periods. The examination benefits from a synthesis of theoretical perspectives on the evolution of the EU.

The case studies demonstrate that while attention to the environment has increased slightly over the years, integration of the environment into programme objectives and funding priorities of the countries examined has been gradual, modest, and at times counterproductive to environmental sustainability. Spending allocation, especially direct environmental investments, has remained largely unchanged. The study concludes that missing links in the multi-level governance of the EU can explain the ineffectiveness of the EU in supporting the transition to sustainable development.

This research project provides evidence that the EU *must* expand its efforts to incorporate environmental concerns into cohesion policy if it is to achieve its stated sustainability objectives. By understanding the lessons learned, the findings could contribute to a more rapid and also more responsible transition to a sustainable future for Europe.

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First and foremost, I acknowledge the members of my dissertation committee, Professor William R. Moomaw, Professor Ian Johnstone, and Dr. Keith Clement, for their guidance and inspiration as well as their patience and support until the project reached this concluding stage.

I owe a debt of gratitude to Professor William R. Moomaw, who has been my academic advisor since I joined the Fletcher School as a Master's student a decade ago. He founded the Center for International Environment and Resource Policy, which enriched my academic experience in and out of the classroom and exposed me to the complexities of pressing global environmental challenges. Professor Moomaw has guided my studies, encouraging me each step along the way to the final stages of this research. However, my gratitude goes beyond his copious comments and pointed direction, to his indefatigable motivation, patience, and kindness – a combination that makes him a true role model for anyone interested in pursuing an academic career. This research would not have been completed without his incessant encouragement and belief in me.

I have benefited immensely from being a student of Professor Ian Johnstone, who led me to the exploration of the challenges of global governance since my first year at the Fletcher School. His profound insights on the academic discourse on international organizations and institutions, benefiting from an active engagement in the process of global governance, have offered a most valuable framework for studying the prospects of a successful transition to sustainable development in the European Union. It is with great appreciation that I acknowledge his support over the years.

I express my most sincere thanks to Dr. Keith Clement who agreed to serve as a member of the dissertation committee without having met me. As a practitioner and an independent researcher on the exact topic of research he has pressed me for a more focused examination of the project at hand. His piercing comments have been most helpful in raising important aspects related to the projects' findings leading me to further fine-tune the research conclusions.

This note would not be complete without mentioning the late Konrad von Moltke, an inspired scholar of European environmental policy, who had generously agreed to serve on my committee. His unfortunate passing saddened me deeply. He had expressed great interest in the topic and I was convinced that his insight would have been an incomparable asset to this research project.

I also like to thank the many Professors at the Fletcher School whose classes I attended. They allowed me to explore new and additional perspectives in the study of international relations and the discourse of global politics, while being grounded to the realities decision-makers need to respond to. I am also thankful for the assistance that the Fletcher School provided while I was a student and especially to PhD Program Director Jenifer Burckett-Picker.

This research project would not have been possible without the individual and collective support of my colleagues at WWF. I especially express my gratitude to Tony Long for welcoming me for a six-month internship at the WWF European Policy Office in Brussels in 2003 and inspiring me to focus my study on a topic that could offer practical insights for the transition to sustainable development. Joining the WWF Greece office in 2005 was the most important turning point in the pursuit of this research, as it granted me the opportunity to develop a more comprehensive perspective on the topic at hand. Being a member of the remarkable team of individuals who comprise WWF Greece has been a privilege for which I am grateful. For the opportunity to gain hands-on experience in the application of the structural funds, for agreeing to long leaves of absence, and, most significantly, for their continuous moral support, I am indebted to Demetres Karavellas, Constantinos Liarikos and Theodota Nantsou (WWF Greece). I would like to offer my thanks also to Stefanie Lang, Peter Torkler, and the whole team of experts from the WWF network with whom I have collaborated productively on cohesion policy for several years. Working for a living planet in an organization of such caliber and passion as WWF, I could not help but be stimulated in exploring the research topic further.

My thanks go out also to the 30 public servants, decision-makers and representatives of other institutions who generously dedicated precious time in order to be interviewed and contributed significantly to the research objective by sharing with me insights from their knowledge and experience.

I am grateful to “Aunt” Kitty Kyriacopoulos for granting me the opportunity to benefit from the most rigorous academic institutions, thus widening my intellectual horizons. This project took longer than expected, and I am particularly grateful for her constant interest in my progress.

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CHAPTER 1: INTRODUCTION

Sustainable development is the "development that meets the needs of the present without compromising the ability of the future generations to meet their own needs" (World Commission on Environment and Development 1987, 43). It is a concept founded on three pillars – namely, economic, social and environmental. Around the world, at local, national, and international levels, alternative paths to facilitate the transition to sustainable development are being sought. Sustainable development poses an important challenge since achieving it requires that comparable priority be given to each of the three pillars.

The European Union (EU) has accepted the challenge. Since the late 1980s, the EU has sought to develop a comprehensive response and has stepped up its efforts to develop its own vision on how to implement sustainable development. Sustainable development has been elevated to an overarching objective of the EU. The interest of this research project is to examine the effectiveness of the EU in the transition towards sustainable development.

Given this broad aim, this research focuses on how the EU's cohesion policy and specifically its main financial instrument, the structural funds, have contributed to the implementation of sustainable development in the EU. By examining the application of the structural funds, this research project constitutes an examination on the extent to which legislative and political commitments that the EU has made to sustainable development are being realized. In other words, it explores the role of the structural funds in creating a sustainable Europe.

Research question

Cohesion policy is a principal policy of the EU that seeks to ensure that the benefits from the economic integration are re-distributed equitably across different groups and regions, through its main financial instruments, the structural funds. From a policy that had only a weak legal basis when the EU was founded, the policy has grown in importance. Since the mid-1970s and particularly following a major reform in 1988, the policy has been reintroduced as a key component of the integration process. The structural funds account for more than a third of all EU expenditures during the 2007-13 financial period. This research examines how the structural funds have addressed the challenge of modernizing the European economy, raising living standards and promoting social cohesion while protecting the environment.

Specifically the questions this research project aims to answer are:

1. How have the structural funds addressed sustainable development and especially its environmental pillar?
2. Why have the structural funds been applied in the way that they have, and to what extent has their application supported the realization of sustainable development?

Why cohesion policy?

Cohesion policy has several characteristics that justify its selection among the various EU policy fields for a closer examination of the EU's commitment to sustainable development. The policy aims to bridge regional imbalances that result from the integration process by promoting economic and social cohesion.

Hence, it is referred to also as regional policy. Since its institution, and particularly since its 1988 reform, cohesion policy has concentrated on improving living conditions in regions that lag behind in economic growth. Regions, therefore, that fall below a certain threshold of income (75%) compared to the EU average are primarily eligible for the EU grants that co-finance programmes and projects. Funds are drawn from several financial instruments; however, the European Regional Development Fund (ERDF), which concentrates the greatest share of the cohesion policy funding, is dedicated specifically to this aim, directing funds to the regions most in need. Within this context, particular emphasis has been given to economic growth, employment, and competitiveness as elements that contribute to regional convergence across the EU. Therefore, it is argued that the economic and social pillars of sustainable development have constituted core priorities of the cohesion policy throughout the policy timeframe. The policy, thus, focuses directly on the economic and social development dimension of sustainable development. The same *cannot* be said about the environmental pillar.

The principle of sustainable development emerged in order to ensure that economic development priorities would not be at the expense of environmental priorities. Alarming scientific evidence regarding ecological degradation and resource depletion has raised environmental protection and restoration to a priority comparable to economic progress. The principle of sustainable development is based on the notion that economic and social development and environmental protection are not in conflict, but rather are complementary priorities. As an instrument of economic development policy, the structural funds can lead to an intensification of the use of natural resources and environmental degradation. Hence, there is a need to reduce the potential negative environmental impact of the use of the funds. However, sustainable development requires more than degradation to be avoided. It is based on positive horizontal and vertical environmental integration – that is, the active promotion of environmental protection, restoration, and enhancement – across policy sectors and throughout levels of governance. A closer examination of the application of the structural funds can generate important insights on the extent to which the EU is integrating the environment into its development priorities and consequently delivering on sustainable development. As a result, when seeking to identify the contribution of cohesion policy to sustainable development, the question is narrowed and focuses on the extent to which environmental considerations have or have not gained a status comparable to that of economic and social concerns.

Moreover, according to the principle of additionality, which is one of the core principles of cohesion policy, structural funds have been designed to complement national and regional development that member states finance on their own resources. For some regions, structural funds serve as the main financial instrument to promote the restructuring of local, regional, or national economies. As such, structural funds have the potential to shape significantly the development path of the regions in which investments are made. Regions or countries, therefore, that are eligible for structural funding are granted a rare opportunity to break new ground and set the foundations for the transition to a sustainable model of development. This added role of the structural funds has been recognized by the EU as it has linked the implementation of the cohesion policy with the EU's commitment to sustainable development. Co-financed programmes by the EU, therefore, constitute an important lever in promoting innovative development approaches that promote environmental protection based on the sustainability imperative. As a result, cohesion policy offers the opportunity to examine the extent to which commitments made are implemented in practice.

Cohesion policy is implemented through a multi-annual programming approach. Regulations are adopted, following the European decision-making process, and set the legislative framework for implementation. Consequently, the Commission and member states agree on strategic documents that are then particularized in sectoral or regional operational programmes, which establish the funding priorities and measures for individual projects. Regional authorities, socio-economic partners, and other actors partake in both the planning process and the implementation of the policy on the basis of the partnership principle. Hence, cohesion policy is an appropriate example of the EU's multi-level system of governance, which is influenced by an interactive and communicative process of deliberation among European, national, and sub-national institutions and formal and informal networks. Hence, examining the planning and implementation of the cohesion policy provides the setting to evaluate the extent to which the system of governance is able to deliver on new policy priorities.

Moreover, the policy offers the ground for a longitudinal study in which it is possible to examine the evolution of the commitment to sustainable development and the extent to which the environment is integrated as a co-equal priority. The legal framework of the policy is revised prior to the implementation of every new funding cycle allowing for an examination of the context in which projects are implemented over time. At the same time, however, during the same funding period and within the common legal framework, member states and regions, based on the principle of subsidiarity, have flexibility in the identification of objectives and priorities and in funding allocation. As a result, cohesion policy allows for exploration of differentiations in the implementation across various countries and regions. By deciphering the application of the funds across time and across regions, the study can pinpoint factors that have the greatest potential in influencing the direction of funding and, consequently, the direction of development priorities.

Nonetheless, it is recognized that cohesion policy is not the only EU policy that can contribute to the EU's objective of sustainable development. The internal market, the Common Agriculture and Fisheries Policies, among others, constitute additional and important areas for the study of the operationalization of sustainable development. Indeed, to complete the picture of the extent to which the EU is delivering on its commitment to sustainable development, assessment of other policies in which the EU is active is necessary. This research project does not claim to have taken on the full task, but to have contributed toward the examination of the EU's effectiveness in guiding development onto a more sustainable trajectory. The opportunity for further exploration, therefore, remains open.

Setting the research framework

Given the overall redirection of the EU, sustainable development has gained gradually a central position among the objectives of cohesion policy. A review of the regulations of the EU's structural funds over the years reveals that environmental elements have gradually been integrated into the policy's objectives. These revisions have been in accordance with the Treaty revisions that have given greater emphasis to environmental protection and integration and have asserted sustainable development as an overarching objective of the EU. In addition to trying to prevent environmental degradation, regulations have expanded the breadth of projects eligible for EU funding in order to include more financing opportunities explicitly targeted at environmental protection and improvement. In sum, an evolving effort has been made to design and plan co-funded programmes with the objective of sustainable development in mind.

In this context the response to the first research question on how structural funds have been allocated has been based on the hypothesis that despite an overall commitment towards sustainable development, the structural funds have addressed sustainable development to a differing degree across regions and during different programming periods. It was assumed that the understanding of sustainable development would differ across member states, resulting in varied models of development – some being examples of *stronger* sustainable development and others *weaker*. Hence, the second question of the research project was posed on why funds have been allocated as they have and whether this allocation has in fact enhanced sustainable development. The purpose was to identify the reasons for this varied application of the structural funds and the extent to which this has supported the operationalization of the principle of sustainable development.

It can be argued that *sustainable development* is a vague and all-inclusive term that does not offer adequate guidance for its implementation. Although such characterizations are valid, the basic idea of sustainable development is that it provides a guideline as to what we should *not* do and a general direction as to what we should try to accomplish.[1] Hence, the arguments regarding the alleged lack of clarity regarding the requirements of sustainable development could actually reveal a lack of willingness or capacity to undertake the changes necessary for its attainment.

The hypothesis that has been examined is that the partial effectiveness, or the ineffectiveness of the structural funds in attaining sustainable development, lies in the multi-level and complex governance structure of the EU, as observed in the cohesion policy. Although political decision making and drafting of policy aspirations take place at a European level, projects are implemented at the local level, while priorities are set at a national level. Therefore, there is an inevitable tension among levels in this governance system. The problem of scale together with a rather loose governance system in terms of monitoring, controlling and evaluating the steps involved from the EU level to the local level contribute to the variations witnessed with regard to environmental integration in EU co-funded programmes.

This research recognizes that competing explanations exist. These are not ignored. This project aims to examine whether the hypothesis of *gaps in the governance system of the EU* is valid and provides an effective explanation for the

[1] For this positive spin on the criticism to the vagueness in the concept of sustainable development, I am indebted to Professor Adil Najam and his course "Global Politics of Sustainable Development" which was taught at the Fletcher School of Law and Diplomacy, Tufts University.

partial degree of effectiveness of the structural funds in meeting sustainable development goals. Hence, it could provide useful inferences for theory development in conceptualizing the EU. By responding to the above research questions, this project seeks to identify challenges and limitations that may hinder the realization of sustainable development in the EU. Thus, it can draw important insights that could be useful for policy making.

Methodology

The research project is based on a method of process tracing – that is, it "attempts to trace the links between possible causes and observed outcomes" (George and Bennett 2005, 6). As a middle-range theoretical project, focusing on theory development by offering alternative hypotheses, the research is based on a qualitative comparative case study approach (George and Bennett 2005; Eckstein 1975; Lijphart 1971). The research project is both descriptive (how have the funds been used) and analytical (why have they been applied in the way that have). This dual approach is considered necessary in a policy research project since in order to identify the factors that contribute to the policy outcome, it is important to have understood the outcome in depth. In a study that examines policy effectiveness and is aimed at contributing to an improvement of policy making, this approach is considered the most appropriate.

It should be noted at the outset that this study builds on previous insights and earlier contributions of the field (Berger 2003; Clement 2000; 2001; Gouldson and Roberts 2000; Roberts 2001; Moss and Fichter 2003). By tracing the evolution of environmental integration in the cohesion policy over several programming periods, the study examines whether the EU's system of governance can effectively respond to changes in policy priorities and public preferences. The study integrates also the results of studies that have emerged in recent years related to this topic, including a special issue on "Environment and Sustainable Regional Development" of *European Environment* (Clement 2005a; Baker and Eckerberg 2008; Haugton, Counsell and Vigar 2008). Thus, it offers a contemporary examination of the topic, on the extent to which the EU has proceeded towards sustainable development over time (Lafferty 2004).

In order to answer the questions posed, two phases of research were undertaken. The first phase is related to the question of how the structural funds have addressed sustainable development in the EU. Hence, it was required to trace the evolution of both the principle of sustainable development and that of the cohesion policy in order to explore how the cohesion policy has formally integrated the need to protect and improve the environment over the years. The second phase of the research examined how the structural funds have addressed sustainable development in four selected countries, while also examining why structural funds have been applied in the way that they have and the extent to which the environmental pillar of sustainable development was integrated.

The comparative part of the study concerns the structured and focused comparison of the application of the structural funds in four cases: Greece, Ireland, Portugal, and Hungary. The case of Greece is examined in more detail in what could qualify as a single critical or crucial case study, from which important in depth findings can be drawn (Eckstein 1975). Greece's entry to the EU in the 1980s, in the first southern European enlargement, influenced the evolution of the cohesion policy. Greece has been a main beneficiary of the funds, which have granted the country the possibility to overcome a past of unfulfilled promises of economic development and transcend from being a poor, agrarian country to a modernized economy based on the tertiary sector. The cases of Ireland, Portugal, and Hungary are examined comparatively in order to assess the extent to which the findings of the Greek case study are relevant only to Greece or whether they fit a larger European pattern. Each country has its own distinct characteristics. However, at the respective date of accession to the European Union of each country, they shared several similarities, which create a common platform for a comparison of the application of the structural funds.

First, their whole territory was eligible to receive large portions of the cohesion policy budget. Although all member states benefit from the structural funds, the allocation of funds is concentrated on those countries with the lowest level of income compared to the EU average. Since 1988 and until the eastern enlargement, four countries – Greece, Ireland, Portugal, and Spain, grouped together as the Cohesion countries – have been the main beneficiaries of the funds (Appendix IV). Other regions that have benefited significantly include South Italy, former East Germany, regions of the UK, and particularly Scotland. Unlike these regions, the cases selected concentrate on countries whose whole territory had been eligible for funding. Since 2004, the 12 new member states, and particularly the Central and Eastern European (CEE) countries, have also become main beneficiaries of the cohesion policy. The examination, therefore, of Hungary allows a comparative examination between the practice of the application of the structural funds in three "old" member states with an established tradition in using the structural funds and a "new" member state. The four countries have received funding of a comparable scale, unlike, for example, Spain and Poland, whose structural funds budget has been several times larger than other member states, or smaller countries that have been allocated much smaller fractions of the available budget.

It should be noted that although the main instrument of regional funding has been the ERDF, since 1993 the Cohesion Fund has been established to assist countries in building up their transport and environment infrastructure. During the first phase of its application – until the enlargement took place – the only four countries eligible for funding were: Greece, Ireland, Portugal and Spain. Initially, the Cohesion Funds was administered separately from the structural funds. However, during the current 2007-13 funding period, it has been integrated in the structural funds, and its contribution is considered in this research project, even though the main emphasis is on the ERDF.

The second reason that led to the selection of these cases is that the four countries at the time of accession to the EU had similar centralized systems of governance, in which a regional level of government either did not exist or did not carry autonomous power. As a result, the four countries allowed for a comparative examination of the adaptation to the EU's multi-level governance system, which characterizes the cohesion policy implementation. Hence, another reason for which other countries, such as Spain and Poland that have benefited from the funds, were not included in the comparison is their regionalized system of governance. The adaptation of centralized systems to the requirement of the EU policy-making and policy implementation system constitutes an important component for a research project that argues that there are gaps in the EU's governance system that explain varied policy outcomes.

Third, environmental policy was weak in each of the four countries selected. Hence, the added value of the structural funds in promoting sustainable development and specifically the integration of the environment could be most aptly examined. The four countries offered the appropriate testing ground to examine the extent to which commitments reached at the European level trickle down to the national and regional levels.

These similarities created a common platform to examine the conditions that have led to a varied application of the structural funds with respect to sustainable development. It should be mentioned that although the research project is largely empirical it is placed and has benefited from the theoretical framework that the EU integration studies have offered. The exploration of the extent to which the EU has realized a mutually agreed-upon common objective, sustainable development, through one specific policy, the cohesion policy, benefits from the theoretical perspectives on the formation and evolution of the EU. Having applied a case study approach, it is recognized that the potential for generalization with the regard to the EU as a whole is limited. However, the study contributes to the academic discourse on the EU, presenting a focused evaluation of the effectiveness of the EU in delivering a specific policy objective. In this respect, a synthetic approach of conceptualizing the EU is considered most applicable.

In summary, the basis of research has been the analysis of a small number of cases that are compared and contrasted having the benefit of one case being examined in more detail, in order to test the hypothesis proposed and contribute to theory development with respect to interpreting the European integration process.

Information collection

The data collection for the research project involved primarily document analysis of primary sources and in-depth semi-structured interviews. The criterion of information collected was based on the following themes that formed the basis for the comparative case study:

- Integration of the environment in the planning phase
- Integration of the environment in the implementation phase
- Funding allocation

In addition, the role of the Commission, the application of the partnership principle, and the engagement of other actors has also been examined. The application of the structural funds with regard to environmental protection is examined within the broader context of the role of the structural funds in each of the countries.

Documents examined included the programming documents (Community Support Frameworks (CSF)) for the programming periods 1989-93, 1994-99 and 2000-06 and the National Strategic Reference Frameworks (NSRF) for the 2007-13 period), as well as sectoral and regional operational documents (OP). In the cases where National Development Plans (NDP) had been developed as distinct texts, these were also included in the document analysis.

In addition, 30 semi-structured interviews, based on a predetermined set of questions were conducted (Appendix II). Those interviewed are individuals who with different official, professional, or other capacities are involved in the planning, programming, implementing, and evaluating of the structural funds. The representation of the 30 individuals interviewed is the following:

European Commission	6
Other European Institutions	1
Ministry of Economy, Greece	5
Ministry of Environment, Greece	3
Managing Authority of OPs, Greece	7
Environmental NGOs	3
Other interest groups	1
Academics	2
Consultants	2

Table 1-1: *Representation of interviewees, based on institutional capacity*.

The interview process was submitted to the Institutional Review Board (IRB) at the Fletcher School, Tufts University, and was exempted from a human subjects review in February 2008. Respecting confidentiality and given that most individuals preferred to remain anonymous, interviewees are not identified, and a list with the institutional capacity of each individual is provided in Appendix III. Three of the interviews were telephone interviews. Except for four interviews, all were recorded. The interviews provided contextual information and additional evidence related to the application of the funds and the selection of funding priorities. On several occasions, interviewees offered access to off-the-record documents as well as internal procedure documents that have been integrated into the research. It should be noted that most of the interviews were focused on Greece, which is the country selected for an in-depth examination. However, when the expertise of individuals allowed for broader comments related to the application of the structural funds across the EU or specifically to the three additional countries examined, the insights have been also included in the analysis of the material of the research project.

This primary research has been complemented by a review of secondary sources that transcend the academic fields of international relations, political science, environmental policy and studies, economics, regional studies, and geography, among others. In addition, evaluations of the application of the structural funds both by the European Commission as well as by external reviewers, consultants or other actors, such as non-governmental organizations (NGO), that have been undertaken at the European and national levels have also been examined. Furthermore, the broader context of the application of the funds of each country was derived from an extensive bibliographical review of the application of the funds in the countries examined.

Structure of the research

The following chapter provides a presentation of the theories and approaches that have been developed to explain the evolution of the European integration process. These perspectives assist the evaluation of the effectiveness of the EU in achieving a specific and agreed-upon political objective, sustainable development, through a specific policy instrument, the structural funds.

The following three chapters prepare the ground for the comparative case studies by examining the European legislative and political context in which they are applied. Chapter 3 presents the evolution of the concept of sustainable development and how it became an EU policy objective. Chapter 4 provides an overview of the evolution and significance of cohesion policy. Then, Chapter 5 examines how cohesion policy and particularly the regulations of the structural funds have responded to the evolution of the objectives of the EU, with respect to sustainable development.

Having this foundation, the four case studies are presented. First, attention turns to Greece, as Chapter 6 provides a detailed presentation of the application of the structural funds over the past three decades. Then, Chapter 7 presents the experience of the application of the funds in Ireland, Portugal, and Hungary. The focus of the presentation is the extent to which European commitments have trickled down to the national and regional levels.

The findings from the Greek case study regarding the application of the structural funds and their contribution to sustainable development, and in particular its environmental pillar, are then compared to those from the three additional case studies in Chapter 8. The comparative analysis of the evidence drawn from the four case studies is undertaken on the background of EU-level declarations and commitments to sustainable development. The case studies reveal a reality that is contrasted to the EU rhetoric and the political commitments towards sustainable development. The research project identifies the governance gaps that have led to several shortcomings in the actual implementation of sustainable development and the responsibility of the EU itself – particularly of the European Commission. The findings of the comparative analysis are placed within the broader context of the theoretical perspectives that explore the evolution and workings of the EU. Finally, alternative options on how the EU can respond to the governance gaps that emerge from the analysis are provided. Chapter 9 offers concluding remarks having an outlook to the future.

At a time when the European Union is faced with an unprecedented economic and social crisis, with important political implications, the discussion on the future of the cohesion policy could benefit from the conclusions of this research. An appropriate policy response to sustainable development that addresses all three pillars could not only reorient the dominant model of economic development officering an exit strategy from the crisis, but also legitimize the European Union, as a whole, in the eyes of its citizens.

CHAPTER 2: THEORETICAL PERSPECTIVES ON THE EUROPEAN UNION

The European Union (EU) constitutes a unique political and institutional evolution in international relations. As such, since its early years it has captured scholarly attention. The EU is neither a typical international nor a regional organization whose operation can be explained solely by international relations theories. Correspondingly, it is not a single state, whose behavior can be understood through the application only of political science theoretical observations. Thus, various theories, approaches, and perspectives have been proposed in order to explain the foundation and ongoing evolution of the integration process, the organization and structure of the EU, as well as its policy- and decision-making processes. Some scholars have focused on the genesis of the integration process, others have been interested mostly in explaining its continuum, and still others have bypassed the mega-concerns and have contemplated the shaping of policy and daily functioning of the EU. While indentifying the distinct contributions that each reflection brings to the understanding of the EU, it is the synthesis of diverse perspectives that provides a useful context for the study of the EU.

For many years, the academic discourse was dominated by the debate between neofunctionalists *v.* intergovernmentalists, who offered two distinct viewpoints on the motivation behind progress of further integration. The theories have since been revisited and positions have been fine-tuned on a path parallel to that of the integration process itself. The increasingly important role of the EU's supranational institutions, in particular the European Commission, has influenced the academic discourse in integrating institutionalist reflections. The exploration of the EU's status has broadened further in examining the extent to which it has developed into more than an international organization, resembling a federal state, or a distinct political system. Abandoning state-centric models of analysis, alternative conceptualizations emphasize that the EU decision-making process is shared among the supranational, national, and sub-national levels. Such a multi-tiered or multi-level governance system attracts several actors, rendering insights from network theory as useful in understanding policy-making processes in the EU. As scholarly attention to understanding and explaining the functioning of the EU has broadened its scope, an additional strand of theory focuses on the extent to which the involvement of various sub-national actors and policy networks is sufficient in legitimizing the European integration process.

The academic debate on the EU, therefore, is dynamic, having evolved on a path parallel to that of the integration process. In this sense, it is guided by the integration process. Indicatively, treaty revisions, enlargement decisions, as well as heightened political tensions offer new material to scholars and enrich their analysis, as strengths and weaknesses of the European integration are identified and explored. As this chapter reviews some of the proposed theoretical perspectives, the milestones in the EU integration process presented in Table 2-1 offer a useful background.

The historical context that led to the establishment of the EU is also worth remembering. During the inter-war and particularly the post-World War II periods, academic and political thinkers reflected on the necessary processes and mechanisms that would ensure long-lasting peace around the world. The idea of a

European Union, therefore, emerged out of the ashes of war. The horrendous consequences of nationalism in two world wars, led visionaries to imagine a different Europe, as others were establishing the United Nations. Since the end of World War I, a strong federalist movement had advocated in favor of a "united Europe" (Rosamond 2000, 21-24). Federalist proposals prepared the ground for inter-European cooperation. The shadow of communism gave additional impetus for the first steps to be taken. As discussions on the best way to promote cooperation continued, a plethora of intergovernmental organizations were established in Europe, including the Western European Union (WEU), the Council of Europe, the North Atlantic Treaty Organization (NATO), and the Organization for European Economic Cooperation (OEEC).

In 1950, a distinct type of European cooperation was put forward by the founding fathers of the European Union, Robert Schuman and Jean Monnet. Specifically, they proposed the integration of the coal and steel industry of western European states so that "war [would become] not only unthinkable but also materially impossible" (Schuman Declaration 1950). The proposition was that coordination around specific industrial resources would result in a system of economic integration and gradually also of political integration that would ensure a peaceful Europe. To oversee the integration process, the proposal advocated also for the establishment of European institutions – high authorities and assemblies.

Instead of supporting the establishment of a European federation, which would require a solid constitutional basis and the support of the European public, a gradual approach was preferred. This approach was influenced by functionalist assumptions, which claimed that international cooperation around specific economic and social functions –until then within the exclusive competence of national states – could prevent the eruption of war by eroding national and ideological divisions (Mitrany 1948; 1966; 1971). The selected European approach, although influenced by functionalist assumptions, was not exclusively functional. The intent was to create a system of regional political cooperation that would ensure peace in post-World War II Europe through an *incremental* process of economic integration. Neither the regional nor the political dimensions constitute necessary elements for the realization of the functional logic.

Following the Schuman Declaration, the European integration process began in 1951 with the establishment of the European Coal and Steel Community (ECSC) by its first six member states: France, Germany, Italy, Belgium, the Netherlands, and Luxembourg. Building on the success of the ECSC, "the Six" proceeded further with economic integration by aiming to create a common market of goods and services. To this end they signed the Treaties establishing the European Economic Community (EEC) and the European Atomic Energy Community (EURATOM) in Rome in 1957. The Treaty of Rome that established the EEC is the foundational treaty of the European Union.

A note of clarification is deemed necessary before proceeding with the review of the main theoretical perspectives that reflect on the European integration. While many draw from international relations theory, these perspectives are examined within the constrained framework of the EU. In other words, they are reviewed neither within the broader context of regionalism – the study of regional cooperation as a distinct phenomenon in the evolving international order – nor within the more specialized context of new regionalism, which contrasts regional processes of economic cooperation with that of globalization. (See, among others, Fawcett and Hurrell 1995; Gamble and Payne 1996; Mansfield and Milner 1997; 1999; Gamble 2001; Söderbaum and Shaw 2003; Beeson 2005; Farrell, Hettne and van Langenhove 2005; and Acharya and Johnston 2007.)

At the same time, it is recognized that EU studies submit important insights regarding the evolution of international relations. For example, the EU was perceived as a prototype which formed the ideal basis for developing broader views on regional and, broadly speaking, international integration and global governance (Nye 1970; Telò 2009). In new regionalism, the EU serves as the archetype of regional economic cooperation, which is compared to more recent attempts of economic policy cooperation, such as the North American Free Trade Agreement (NAFTA) and the Association of Southeast Asian Nations (ASEAN). Moreover, exponents of the interdependence theory argue that the renewed interest in EU integration in the late 1970s constituted a starker expression of the processes and structural changes occurring globally in response to growing political and economic international interdependence (Keohane and Nye 1977). In addition, in view of the realist analysis of the anarchic international system, the case of European regional cooperation is regarded as the means in order to improve the relative position of European countries compared to competing global actors (Gamble 2001). Rather than focusing on the lessons that the European integration process can offer to the study of regional or international cooperation, this research project is based on the reflections that international relations and political science theory offer in conceptualizing the EU and its evolution. The decision of the member states, as presented above, to establish this regional integration process constitutes a given background. It should be clear also that the study at hand does not seek to explain or to predict the evolution of the EU as a whole. Alternative theoretical perspectives on the formation and evolution of the EU assist in the evaluation of its effectiveness. The task is to explore the extent to which the EU has realized a mutually agreed-upon common objective, sustainable development, through one specific policy, the cohesion policy.

Consequently, this study constitutes mostly an empirical rather than a theoretical examination of the EU. Such an approach limits the potential for generalization with regard to the EU as a whole. However, it contributes to the academic discourse on the EU, presenting a focused analysis. By unfolding the application of the structural funds in four EU member states, the project at hand seeks to identify the parameters that influence implementation of policy objectives. The theoretical observations presented in this chapter help systematize the analysis and lead to insights regarding the institutional opportunities and barriers that the EU governance system places on the potential contribution of the structural funds to the transition to sustainable development.

The task of this chapter is to present the theoretical conceptualization of the EU as it has evolved since the 1950s. In this context, the purpose of this chapter is not to provide an exhaustive literature review or decipher and itemize the fine and detailed differences among the different theories and individual theorists. Instead, it offers a theoretical background to guide the empirical analysis.

1951	The Treaty establishing the European Coal and Steel Community is signed by France, Germany, Italy, Belgium, Luxembourg, and The Netherlands (the Six) in Paris. The Treaty enters into force in 1952 and expired in 2002.
1957	Building on the success of the ECSC, in 1957 the Six decide to extend their cooperation towards further economic integration aiming to create a common market of goods and services. To this end they sign the Treaties of Rome establishing the European Economic Community and the European Atomic Energy Community.
1965	The Treaty Establishing a Single Council and a Single Commission of the European Communities (Merger Treaty) is signed providing for a single set of institutions for the Communities. It enters into effect in 1967.
1968	The Customs Union is completed. The security guarantee provided by the US and NATO during the Cold War allows for Europe to focus on economic integration. Internal tariffs and quotas are abolished within the first 10 years, making the EEC a true common market, with a common external tariff.
1973	The United Kingdom and Ireland become member states.
1979	Members of the European Parliament are elected for the first time.
1981	Greece becomes a member state.
1986	The Single European Act (SEA) is adopted. In spite of the challenges faced by the EEC, progress continued throughout the '60s and '70s, picking up new momentum in the 1980s. In particular, in 1986, the SEA is agreed upon to give new momentum to economic integration aiming to achieve an open internal – single – market by 1992. As a result, the EEC competences are broadened to include product standards, liberalization of services, financial services requirements, and control over subsidization, working conditions, consumer protection, and the environment.
	Portugal and Spain become member states.
1992	The Maastricht Treaty on European Union is signed. The process of greater integration culminates in the Maastricht Treaty, which constitutes the first extensive revision of the Treaty of Rome, allowing the European project to slowly enter into new realms of policy such as common foreign and security policy and home and justice affairs. It introduces a tri-pillar structure to the European Union: the European Communities, the Common Foreign and Security Policy, and the Cooperation in the Fields of Justice and Home Affairs. Maastricht accelerates the EU's commitment to a European Monetary Union (EMU). The European Central Bank is established and convergence criteria are adopted, by which member states surrender part of their sovereignty on macroeconomic policies, through the Stability and Growth Pact, which is adopted in 1997.
1994	Austria, Finland and Sweden become member states.
1997	The Treaty of Amsterdam is adopted. The Treaty revises the objectives of the Union to include sustainable development, extends the powers of the European Union into several policy areas (e.g., employment and social policy), and further clarifies the rights linked to the European citizenship. Additionally, it introduces institutional changes that will prepare the EU for

	enlargement. It enters into force in 1999.
1999	Eleven member states qualify to join the Eurozone. Denmark, Sweden and the UK have opted out of the Eurozone.
2000	The Treaty of Nice is signed. The new Treaty revisions are adopted in order to include institutional reforms that will allow for functional decision making in an enlarged EU. The process of enlargement to the east is already under way, since accession negotiations with many eastern European countries opened already since 1998. The Treaty enters into force in 2003.
2002	Although the entry of the new European currency, the Euro, into the global market was in 1999, the ambition of a European Monetary Union is realized in 2002 when Euro coins and notes replace the national currencies of 12 member states by this year. By 2011, a total of 17 member states have joined the Eurozone.
	Proceedings of the European Convention on the Future of Europe begin. Before the Nice Treaty has even entered into force, further Treaty revisions are deemed necessary in order to improve the effectiveness and democratic appeal of European governance. The Convention on the Future of Europe, under the Presidency of Valery Giscard d' Estaing, completes its work this year proposing a draft Treaty establishing a Constitution of Europe that would consolidate the text of all EU treaties into one constitutional treaty that would also integrate the Charter of Fundamental Rights. Proposed institutional reforms include extending qualified majority voting, establishing a President of the European Union, and others. The text of the European Constitution is accepted with minor changes by the European Council in October 2004. Despite the fact that the European Constitution was adopted by the majority of the member states, it is rejected by referenda held in France and the Netherlands in 2005. This development results in a halt of the ratification process and a period of reflection that lasts until 2007.
2004	Ten new countries become member states. The significance of this enlargement is that it is the first to open the door to central and eastern European states (Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia). Cyprus and Malta also become member states, as the only non-former communist countries to join the EU in 2004.
2007	Bulgaria and Romania become member states.
	The Lisbon Treaty is adopted in December 2007. Following the period of reflection, the prospect of adopting a European Constitution is abandoned. Instead, a different "Reform Treaty" is drafted, adopting, nonetheless, many of the proposals included in the earlier agreed-upon Constitutional Treaty. The Lisbon Treaty, hence, revises the existing treaties, renaming the Maastricht Treaty to the Treaty on the Functioning of the European Union. The Lisbon Treaty includes many institutional amendments: The three pillars of the EU were merged into one legal entity with designated competences, co-decision with European Parliament and qualified majority voting in the Council has become the norm of decision-making, and a President of the European Council and High Representative of the Union for Common Foreign and Security Policy are introduced, among others. Following a second referendum in Ireland, after the first one had failed to approve the reforms, the Treaty enters into force in December 2009.
2010	Based on the Lisbon Treaty provisions, the European External Action Service (EEAS), a *sui generis* service that serves as the foreign and diplomatic corp of the European Union, is founded in late 2010. The EEAS

	is headed by Catherine Ashton, the Union's first High Representative for Foreign Affairs and Security Policy.
	In May 2010, in response to financial instability in the Eurozone, linked specifically to the sovereign debt markets, the European Union and euro-area member states set up the European Stabilisation Mechanism. It consists of two distinct components: the European Financial Stabilisation Mechanism (EFSM) and the European Financial Stability Facility (EFSF). The EFSM is funded through the European Commission with guarantees from the EU budget. It was activated in response to the Greek debt crisis and is similar to the facility that was previously set up to help the non-Eurozone countries Latvia, Hungary, and Romania. The EFSF is established due to fears of a potential extension of the crisis beyond Greece to other Eurozone member states. The facility draws funds from euro-area member states, the International Monetary Fund, as well as the market with guarantees from the European Central Bank and Eurozone member states. Ireland and Portugal have already benefited from this new institutional setup. The temporary system is to be replaced by a permanent European Stability Mechanism in mid-2013, i.e., following the expiration of the temporary mechanisms.
2011	In response to the extended financial crisis, affecting particularly the Eurozone, discussions have opened on reforming the economic governance of the EU in a direction that would further the integration process in the area of fiscal policy. This field of policy is subject to the rules of the Stability and Growth Pact, but has so far remained decentralised and under the exclusive responsibility of national governments.

Table 2-1: *Milestones in the history of European integration – from the ECSC to the EU*

Interpreting the European integration process

The evolution of the ECSC into the EEC and the launch of the European economic integration process constituted the major turning point in academic discourse. Scholars sought to explain and interpret the process that was unfolding. The predominant theory of the integration process has been neofunctionalism, whose main early proponents included Ernst Haas and Leon Lindberg (Haas 1948; 1958a; 1958b; 1961; Lindberg 1963). The main criticism of neofunctionalism originated from an intergovernmentalist approach, based mainly on Stanley Hoffmann's analysis of European integration (Hoffmann 1966).

Neofunctionalism maintains that economic integration can incrementally, and under specific circumstances, result in significant political consequences. The theory is based on the idea of spillover, which has dual dimensions: functional and political. Neofunctionalists argue that if states select to cooperate on an area of important economic activity, then the integration process has the potential to spill over to other sectors of the economy. This functional spillover is the result of the interconnectedness of adjoined economic sectors as well as the need to resolve problems that emerge from the cooperation itself (Haas 1958a; 1961). Hence, reflecting on the adoption of the Treaty of Rome, it was noted that "if the [m]ember states are to observe the range of obligations stated in the Treaty, there is not an area [of policy] that will not be affected" (Lindberg 1963, 35). This observation is echoed in more recent studies, as it is claimed that the "frame" for the expansion of the EU competences is provided by the Treaty of Rome, even if there may have been only hints of various policy domains in the actual treaty text (Fligstein and McNichol, 1998).

According to neofunctionalists, economic integration results also in political spillover. Economic integration leads to a politicization of the actors benefiting from the cooperation. This is the case particularly of national elites, which, after having adjusted to the integration of the economy, maintain a pro-integrationist position. These elites become advocates of greater integration in order both to protect and further advance their newly shaped positions. Although their interests are largely economic, they request also greater political coherence to secure the economic advantages gained by the integration process.

Although influenced by functionalism, neo-functionalism is a separate theory that sought to explain the European integration while also predicting the results of closer international cooperation. The distinction between the two lies particularly with respect to the fact that while functionalism considered the transition between economic and political integration as automatic, neofunctionalists assigned particular attention to the contribution of the supranational institutions that have been assigned the role of completing the initial technical task of integrating the selected economic sectors.[2] These institutions are staffed by experts and civil servants, who have the technical capacity to pursue the objectives identified in the adopted agreements. According to neofunctionalist theory, the technocrats become actively engaged in the evolution of the decision-making process by offering pro-integration solutions in response to problems related to their assigned tasks (Trondal 2007). European institutions, which have legislative power, perform administrative tasks and enforce policies and obligations. Supranational institutions facilitate a *deepening* of integration, acting as "constant advocates of the advantages of integration" (Rosamond 2000, 58). Together with elites benefiting from the integration process, therefore, supranational institutions become "carriers of political integration" (Haas 1958).

The presence of these institutions allows stakeholders, including elites, to bypass the national level in pursuit of their objectives and address directly the supranational level (Haas 1961). In this way, the integration process leads to a transfer of loyalties from the national to the supranational level.

[2] It should be mentioned that components of the neofunctionalist theory were revised early on and in tandem with the integration process. One of the first elements to be revised was that transition to further integration was not an automatic process.

Neofunctionalism conceives the European integration process as an inherent dynamic system with an expansionist potential. In this respect, the growing emphasis of the cohesion policy can be considered a result of functional spillover. Based on the recognition that growing regional disparities are a result of the structural adjustments to the process of economic integration, which can in turn undermine the benefits of the integration process itself, a European redistribution mechanism was necessary to ensure balanced development (Haas 1975, 22; Tranholm-Mikkelsen 1991, 13). Similarly, the engagement of the European Union with environmental policy could be considered also an example of functional spillover. Common environmental standards ensure the well-functioning of the common market, in contrast to national standards that could serve as non-tariff barriers to trade undermining competition rules (Haas 1975, 45; Tranholm-Mikkelsen 1991, 13). Moreover, given its power to initiate policy proposals, the autonomous role of the European Commission constitutes a clear example of the pro-integration stance of the euro-technocrats.

Drawing heavily from the European experience, neofunctionalists abandon the state-centric perception of international affairs. The anticipation that the integration process would weaken the state constitutes the main point of criticism by the intergovernmentalist approach to the neofunctionalist analysis. Intergovernmentalism projects a state-centric model of the EU, in which member states constitute the drivers of the integration process (Hoffmann 1966). Guided by realism and neo-realism as theories to interpret international relations, states are viewed as rational actors that act on the basis of their national interest in order to maximize their relative position. Economic integration takes place around specific, limited, and predetermined issues that have been chosen in order to serve narrow economic interests of member states. Given the limited scope of economic integration, the intergovernmentalist approach maintains that the influence of the technocratic institutions is restrained by and dependent on power politics at the state level. Intergovernmentalism stressed the distinction between low and high politics, emphasizing that integration had taken place only in the fields of low politics – in areas that did not have significant political influence. High-level politics, therefore, remained largely unaffected by the lower-level integration. In this context, both cohesion and environmental policies are considered issues of low politics.

The incremental potential of spillover, thus, is dismissed, because states maintain control of the evolution of the integration process. Consequently, intergovernmentalists refused to recognize autonomous power to supranational European institutions. Writing at a time when the European integration was heavily influenced by General de Gaulle's nationalist politics, Hoffmann concluded that despite the relative success of European integration, "the nation-state is still here" since "each one [of the Six member states] is willing to live with the others, but on terms not very different from his own" (Hoffmann 1966, 863; 887). Not ruling out a potential final success of Jean Monnet's vision, Hoffmann presents numerous obstacles to such a terminus, which led him to the conclusion that the prospect of further integration was highly unlikely. Hoffmann's outlook toward the unification of Europe was based on his view that member states, acting as rational actors, formulate the political agenda and control EU policy-making on the basis of their national interests, rather than a common interest or a regional perception. The resilience of the state, despite progress in European integration, constituted the strongest argument of intergovernmentalism against neofunctionalism (Hoffmann 1982).

Observing the ups and downs of the European experience, mostly due to General de Gaulle's persistent nationalist stance on several occasions, neofunctionalists offered the possibility that states may not always advance integration. However, they argued that it is unlikely that states will withdraw completely from a collaborative process. In an effort to interpret these European developments, neofunctionalist theory proposed that the process of integration could lead also to alternative outcomes to that of spillover, including the option of *spill-back*, i.e., returning to the *status quo* prior to integration (Schmitter 1970, 845-6). Cooperation among states, therefore, could increase, decrease, or maintain interdependence (Haas 1975, 88-89). Reflecting on the turn of events, Haas eventually expressed his disappointment on the weak progress of an incremental spillover, declaring that:

> Regional integration in Western Europe has disappointed everybody: there is no federation, the nation-state behaves as if it were both obstinate and obsolete, and what once appeared to be distinctive 'supranational' style now looks more like a huge regional bureaucratic appendage to an intergovernmental conference in permanent session (Haas 1975, 4).

Accordingly, neofunctionalism seemed to have lost its appeal, and Haas himself acknowledged that regional integration theory could be largely inapplicable to the developments in international relations, leaving open the possibility of neofunctionalist relevance only to few some aspects of regional integration (Haas 1975).

Revisiting the neofunctionalism v. intergovernmentalism debate

In spite of periods of setback and uncertainty, the European process has gradually evolved, having a history of more than 50 years. The theory of neofunctionalism and its intergovernmentalist counterpart remain the starting point in analyzing the different steps in the integration process, particularly the revisions to the original Treaty.

While in the 1970s, intergovernmentalism, based on its realist underpinning, seemed to present a more convincing account of European integration, developments in the 1980s that reignited the integration process required a reexamination of its assumptions as well as its basic propositions. Giving due credit to Haas' neofunctionalist observations, Hoffmann, together with Robert Keohane, revised his early views regarding the potential success of integration (Keohane and Hoffmann 1991). Specifically, the intergovernmentalist approach accepted the neofunctionalist scenario of spillover, rejecting, however, the incremental expansion of the integration tasks. Instead, it is argued that spillover is dependent on an explicit agreement among member states. Such an agreement is the result of an intergovernmental bargain based on the preferences of the most powerful European governments. Hence, states have been selective with regard to the sectors to which they conferred responsibility to the EU, ensuring that several important policy areas, including foreign policy, defense, fiscal issues, health, education and justice and home affairs, remained within the confines of national sovereignty. In this context, therefore, the decision to proceed toward an Economic and Monetary Union (EMU), once the common market had been completed, could be interpreted as an intergovernmental decision based on the interests of the most powerful European economies, particularly Germany, rather than evidence of an incremental political spillover. Moreover, the fact that despite the agreement on convergence criteria and the Stability and Growth Pact, fiscal policy remains mostly a matter of national decision-making, supports further the intergovernmentalist perspective that argues that the EU does not impose any significant limitations to national sovereignty, other than those to which the states have specifically agreed. Recent proposals for a European system of economic governance, in response to the financial crisis, could therefore be interpreted once more as a tactical approach of the strongest economies, rather than as an example of neofunctionalist spillover in response to weaknesses of the integration process.

The adjustments to the earlier intergovernmentalist approach to the EU are illustrative of neo-realist revisions that have taken place, particularly since the end of the Cold War, in order to explain the European cooperation paradox. They argue that the state-centric model they propose remains valid because treaty amendments that shape the content of European cooperation are concluded under a unanimity condition, which ensures that even the weakest states have opportunities to advance their positions and interests (Grieco 1995). The decision of the allocation of the EU budget between member states and the bargaining between net contributors and net beneficiaries serves as a useful example of this interpretation (Keohane and Hoffmann 1991; Moravcsik 1993).

Seeking to better explain the development of the European project, the intergovernmentalist approach has been revised further into liberal intergovernmentalism, mainly by Andrew Moravcsik (Moravcsik 1993; 1995). While maintaining a state-centric understanding, liberal intergovernmentalism breaks the traditional link between intergovernmentalism and realism or neo-realism. Instead of perceiving states as unitary and monolithic, liberal intergovernmentalism is influenced by liberal theory and examines the domestic factors that influence the formation of national positions. Liberal intergovernmentalism asserts that the position and the bargaining space each state has as it partakes in intergovernmental negotiations is influenced by competitive domestic interests. These special interests, influenced by the integration process, usually seek to expand, but possibly also to restrain, integration (Moravcsik 1993). The agreement on the provision of structural funds to specific regions and countries, therefore, can be regarded as the result of domestic demands that render the acceptance of further integration and the costs it may generate conditional to a well-financed redistributive mechanism or correspondingly a side payment within the intergovernmental negotiation to ensure acceptance of proposed new policies (Moravcsik 1993; Pollack 1994). At the same time, European level decisions strengthen the control of the state over these domestic forces, allowing states to introduce policies and measures that would have otherwise not been politically acceptable. In this context, one could argue that the agreement on environmental policy parameters at the European level facilitates the introduction and implementation of environmental measures, particularly by governments of countries that face significant domestic resistance to such measures. Liberal intergovernmental maintains, therefore, the position that the evolution of the EU is the result of interstate bargaining among member states, whose positions are influenced by domestic factors.

Another distinction from the early intergovernmentalist perspective is that liberal intergovernmentalism acknowledges the limited autonomy of supranational institutions with respect to reducing transaction costs and facilitating the information flow among member states. By pooling or delegating limited role to supranational institutions, states aim at more efficient decisions, removing the risk that non-controlled decision-making processes entail (Moravcsik 1993, 509-512). Over time, therefore, intergovernmentalists borrowed important neo-liberal institutionalism observations, even claiming to expand regime theory by attributing to European institutions not only a passive, bargain-facilitating short-term role, but also a functional role that strengthens the autonomy of each government to shape and influence domestic agendas, on the basis of European-level decisions (Hoffmann 1982; Moravcsik 1993). Nonetheless, the influence of the institutions in shaping the policy outcome is belittled since according to intergovernmentalism, integration remains the subject of interstate bargaining.

Intergovernmentalism, therefore, attempted to adjust its position to the new circumstances. However, focusing mostly on the treaty revision bargaining and the decisions taken by the Council and, particularly, the European Council, intergovernmentalists have failed to recognize the role of other EU institutions in the operations of the EU that further the integration process (Garrett and Tsebelis 1996). The most recent treaty revision broke a last important frontier of intergovernmentalism. Until 2001, treaty revisions had been almost exclusively handled by member states in closed-door intergovernmental conferences. The European Convention on the Future of Europe initiated a more open process. Presided by former French President Valery Giscard D' Estaing its membership included, in addition to member state representatives, European Commissioners, members of the European Parliament, members of national Parliaments, and several observers who participated in the process of drafting a European Constitution. Being a more open – although not entirely transparent – process, it mobilized advocacy coalitions, interest groups, and policy experts (Tsebelis 2008, 285-286; Christopoulou and Long 2004). Following few revisions, the Constitutional Treaty was adopted by the European Council in 2004, but was rejected in referenda in France and the Netherlands. However, rather than returning to the intergovernmental history-making system, the referenda offered an opportunity to build on the successful outcome of the European Convention (Tsebelis 2008). The Lisbon Treaty that was ultimately adopted built on the Convention's proposals lessening the constitutional references. The debate on the future of Europe stimulated the academic discourse on the EU further, as is discussed later in this chapter. Certainly, it did not trigger a return to the intergovernmentalist perspective.

Even earlier, the renewed commitment to completing the single market by 1992, as agreed in the mid-1980s, and the agreement on a greater supranational decision-making processes confirmed the important insights the neofunctionalist theory provided and its strong connection to the European project. The recognition of EU institutions, and the European Commission in particular, as “political actors” that influenced the revival of the integration process signaled a return to neofunctionalist analysis, enriched with institutionalist observations (Sandholtz & Zysman 1989). Evidence of spillover into new policies made neofunctionalism “indispensable” in analyzing European integration (Tranholm-Mikkelsen 1991, 19). At the same time, it was recognized that while neofunctionalism predicted spillover and task expansion, the theory was not able to explain why some policy areas have shown a greater degree of integration than others (Börzel 2005a). As a result, it is argued that the EU maintains “a mixture of ‘supranationalism’ and ‘intergovernmentalism’” (Magnette 2005, 203).

The emergence of new institutionalism as a theoretical approach was critical in the evolution of EU studies and in providing an explanation to the paradox that neofunctionalism could not explain. While acknowledging as extremely important the role of member states in initiating the integration process, new institutionalists argued that states may underestimate the full impact and the range of consequences a decision entails. Although states delegate specific functions to EU institutions, they cannot control the possibility that the institutions may use the power delegated to them in order to promote European integration in additional fields and sectors to those initially agreed upon (Pollack 1998, 219-220). New institutionalists, therefore, clarified the varied outcome of integration that neofunctionalism could not sufficiently address, without submitting to the intergovernmentalist argumentation.

New institutionalism

Arguing that institutions, defined both as "formal organizations and as informal rules and procedures," not only matter but also influence political outcomes, new institutionalists cannot accept the state-centric intergovernmentalist viewpoint on the EU since they argue that long-term European developments extend beyond the strict control of the member states (Thelen and Steinmo 1992). Unlike old institutionalism, which focused on presenting the formal structures and legal basis of formal organizations, new institutionalism has a broader focus that explores the way that institutions, interacting with various actors, shape political processes and outcomes.

New institutionalism is a theoretical approach that benefits from the reflections of numerous theorists who give emphasis to specific aspects of institutions, draw from different disciplines, and apply distinct methodological approaches. The main sub-fields of new institutionalism that offer reflections on the EU and are presented in this study are: rational choice institutionalism, historical institutionalism, sociological institutionalism and constructivist institutionalism. These varied strands of new institutionalism have impacted their interpretation of the EU political system. As these are variations within new institutionalism, rather than distinct strands of theory, the lines between them are not rigid.

The role of the Court of the Justice of the European Union (the Court), though not usually the focus of study, demonstrates clearly the contribution that EU institutions have in the evolution of the integration process. The Court, with its decisions and interpretations of European law, has expanded the EU tasks, rendering legal integration an example of neo-functionalist spillover, moving the integration process beyond economic issues (Burley and Mattli 1993). Approximating the neofunctionalist spillover argument, therefore, new institutionalism offered an alternative approach to the study of the EU.

While the grand theory of neofunctionalism and its intergovernmentalist counter-argument continue to explore the integration process as a whole, “middle-range theory” seeks to explain specific EU functions (Nugent 2003, 488). Both neofunctionalist reflections regarding the transfer of loyalties to the supranational level and intergovernmentalist arguments on the domestic factors that influence a state’s bargaining space remain pertinent at this level of analysis, which examines the structure of the EU. Interpreting the EU as a system of governance or a political system, the focus of new institutionalism is on the varied role of each institution and the interactions among institutions, member states and other domestic or transnational actors in policy-making. The development of the integration seems dependent on a combination of factors: the transnational exchange among different actors, the autonomous role that supranational organizations develop, and the supranational rules that have emerged over the years (Sandholtz and Stone Sweet 1997; 1998; 1999).

Recognizing that supranational institutions can act autonomously, some new institutionalists emphasize that they do so within the constraints outlined by member states (Pollack 1997, 129). For example, in the early 1980s, the European Commission exhibited supranational entrepreneurship in proposing the context for the application of the EU funds. However, since then the formulation of the policy is also influenced by the position of member states, the European Parliament, and many others that seek to influence the outcome of the negotiations on the regulations (Pollack 1997, 127). European institutions, therefore, may not function always autonomously, since even the European Commission, given its role as policy initiator, may be able "to usher decision-takers toward decisions, [but] it cannot make them take decisions to which they are resistant" (Nugent 2001, 324). This approach may be regarded as limiting; however, evidence suggests that the institutions' autonomy may be constrained. It is indicative in this respect that the Lisbon Treaty clearly identifies the common and shared competences of the EU (Title 1).

Other new institutionalists offer a broader outlook on the role of institutions and argue that European institutions have their own interests, agendas, priorities and positions against other actors, including other supranational institutions and member states (Peterson and Shackleton 2002, 5). In this context, "the best way to understand the EU's institutions … is in terms of their institutional interactions" (Judge and Earnshaw 2003, 307). Hence, the Council "can neither control the inputs from the Commission nor dictate the interpretations of its decisions by the ECJ [European Court of Justice]", while also "it is forced to accommodate the preferences of the members of the EP (MEPs) on particular issues" (Hayes-Renshaw and Wallace 1995, 562). The statutory recognition of the European Council and the Council of the European Union (i.e. the Council of Ministers) as EU institutions in the 2007 Lisbon Treaty confirmed that institutional interaction forms an inseparable component of the European collective policy-making system. However, it is important to note that the supranational institutions are not monolithic. The different Council formations, therefore, may have distinct policy priorities. Similarly, various directorate generals have separate agendas that each seeks to promote. The creation of the newest directorate general for climate action (DG CLIMA), for example, as distinct from the directorate general on environment (DG ENVI) has created a new intra-institutional tension. Due to the fact that climate change had dominated the environmental agenda in recent years, the DG ENVI had to reinvent itself, promoting other environmental priorities, such as biodiversity conservation and resource efficiency. The role of institutions at the national level is also important in looking into the EU – for example, as national public administrations adapt to the European regulatory requirements, not only do they change in their structure, but also in their policy expectations, expressing their own interests and priorities (Knill 2001).

Rational choice institutionalists focus their examination on the effect of formal institutions on rational actors. Given the institutional set-up, the outcome of the decisions may differ, since the agenda-setting powers as well as opportunities for coalitions, compromises, and agreement with other institutions vary. Power-based bargaining as well as the extent to which decision-makers have epistemic or technical knowledge influence final outcomes (Farrell and Héritier 2005). The important contribution of rational-choice institutionalists is that in their critique towards intergovernmentalism, they assert the need to examine the role of different European institutions and their interactions with the member states in explaining policy outcomes (Garrett and Tsebelis 1996). Within the context of the EU decision-making system, states choose the most appropriate means, including the option of delegating a specific role to a European institution to advance their national interests (Garrett 1992).

While acknowledging as important the role of member states in initiating the integration process, historical institutionalists argue that states may not estimate *a priori* the full impact and the range of consequences their decision entails. In this respect, historical institutionalists are aligned to neofunctionalist reflections with respect to unintended consequences of integration as well as the role of supranational institutions (Pierson 1996). However, they advance the analysis a step further, arguing that states are constrained by the new institutional structure. When states enter this integration process, "rules and policies along with social adaptations create and increasingly structured polity [restrict] the options available to all actors," including allowing for an exit strategy, which at first may have seemed as a viable option (Pierson 1996, 147). Once the integration process begins, the positions, preferences, and, in effect, the behavior of the member states as well as the European institutions are locked into or dependent on previous decisions (Bulmer 1994; 1998). Historical institutionalists, therefore, argue that the institutional structure not only influences the policy outcome but also formulates the positions of actors and institutions as policy making evolves. This observation is also applicable at the Council, as member states "become locked into the collective process," which results in them feeling an integral part of the EU system (Hayes-Renshaw and Wallace 2006, 331). The important parameter that historical institutionalists add with their analysis is the focus on long-term impacts. The evolution of European environmental *acquis communautaire* (body of law) can be examined within this context, since over time gradually it has shaped the behavior of member states, institutions and other actors, to the point that the EU currently considers the protection of the environment a central component of its policy objectives.

Sociological or constructivist institutionalism is heavily influenced by sociological approaches, which emphasize that the existence of social structures and, particularly, norms and ideas shape the positions and interests of different actors, as well as broader sociological approaches (Wendt 1995; Saurugger 2009). According to this understanding, the EU can be conceptualized as a social structure that has evolved along shared values that are the result of the continuous interaction among all involved actors, i.e., states, institutions, sub-national actors, transnational networks, and other non-state actors. The EU is considered a system in which discursive processes of persuasion and deliberation, in a "logic of communicative action," diffuse ideas and internalize norms (Risse-Kappen 1996, 70-72). Hence, the EU policy process constitutes an example of "argumentative persuasion," whereby change in preferences is a result of interactive discourse (Checkel and Moravcsik 2001, 221-224). Given the influential role of ideas and discourse in policy change, the EU provides a useful testing ground for discursive institutionalism (Schmidt 2010).

Social constructivist reflections, therefore, are reminiscent of the predicted neofunctionalist phenomenon of transfer of loyalties (Risse 2005). The distinguishing factor, however, is that whereas neofunctionalists expected a vertical transfer from the national to the supranational level, social constructivist approaches do not indicate the direction of the transfer of loyalties, maintaining that it concerns all engaged actors. Ideas bind actors as social agents, into the evolving integration process. As such, sociological institutionalism, informs the study of Europeanization that examines processes of adaptive learning to policy changes introduced by the EU (Olsen 2002; Zito and Schout 2009).

It is important to recognize that these institutionalist perspectives neither project or promote the state's irrelevance nor shed doubt on states remaining sovereign. Member states maintain an important position in the European Union, while EU institutions and other state and non-state actors also influence independently or jointly the policy-making process. As a result, new institutionalism notes the important implications that this process has on sovereignty as a concept and in practice. Such a viewpoint, could potentially, and surprisingly be linked to one of Hoffmann's early observations. He maintained that although the "nation-state is still here," since the adoption of the Treaty of Rome, it is "transformed" (Hoffmann 1966, 863; 889). As integration evolves, it becomes clear that "governments are not the sole guardians of the national interest and certainly cannot monopolize or control the channels of communication between the member states and the Community system" (Hayes-Renshaw and Wallace 1995, 563). While states may not be able to control the integration process as they did in earlier years of the EU history, it may be in the interest also of both the sub-national and supranational actors for states to remain central actors (Ansell, Parsons and Darden 1997, 350). Indeed, "as long as states accept and *act* upon each other as being sovereign, they are" (Aalberts 2004, 40).

New institutionalism illuminates the discussion on the EU demonstrating that the EU has gone through a series of transformations, allowing it to evolve into a multidimensional, quasi-federal polity or a multi-tiered system of governance (Stone Sweet and Sandholtz 1998; Pierson 1995; Bulmer 1998). However, the question remains on how to best describe the polity that the EU has become and the extent to which it is a unique polity or an (a)typical example of known political systems.

The EU as a political system

Considering the EU as an established political system, resembling a state without being a state, several important insights are provided (Hix 2005). Conceptualizing the EU as a state, Westphalian, regulatory, or post-modern, insights can be drawn that can shed light in explicating the policy-making process within the EU (Caporaso 1996). Depending on the type of policy examined within this political system (i.e. regulatory, distributive or redistributive) a distinct process of task expansion takes place due to the differences in the rules, actors, and style of bargaining involved for the formation of each policy outcome (Pollack 1994). Specifically, regulatory (e.g., environmental policy), expenditure (e.g., cohesion policy) and some of the citizen (e.g., social policy) and macroeconomic (e.g., monetary) policies of the EU are adopted at the supranational level, while others, including most of the citizen (e.g., home and justice affairs) and foreign policies, are the outcome of intergovernmental processes (Hix 2005, 8-9). Hence, the regulatory policies are the result of functional economic and political spillover; the redistributive policies are a result of tactical and bargaining linkages under the intergovernmental style (e.g., in the form of side payments), and distributive policies are the result of policy entrepreneurship of the Commission (Pollack 1994). In this context, environmental policy falls largely under the regulatory analysis of the EU, while cohesion policy under the redistributive policy analysis. By examining the EU as a political system that delivers on different policies, the important perspectives developed under the neo-functionalist or the intergovernmentalist frameworks can be applied in a more complementary fashion. Indeed, taking such an approach, it has been argued that the sectors that have demonstrated the greater expansion of European competences (i.e., the areas that have demonstrated greater integration) are those that can be categorized as regulatory, rather than distributive or redistributive (Majone 1996).

Moreover, without an archetypical standard of federal states – Germany, Switzerland, Canada, and the US constitute different models of federalism – it has been argued that the EU has characteristics that are closer to those of a federal entity than an international organization (Delaney and Smith 2005).[3] As a result, resembling more a federal model of political organization, the EU can benefit from federalist perspectives in analyzing the EU as a political entity (Sbragia 1994). The basis for such a claim is that power distribution between EU institutions and the member states is analogous to power distribution between federal government and regional government bodies. Even if the EU institutions do not have the same level of control over all policy areas that a federal government has, the scope of EU policies resembles a federal level of government (Koslowski 1999). The EU need not be declared a federal state in order to benefit from the observations derived from the study of federal states. Rather, the study of the "political practices, intersubjective meanings and informal norms"

[3] See all contributions to the 2005 special issue of *Regional and Federal Studies* 15(2), which provide comparative analysis on the challenges of power sharing.

examined through a federalist perspective can enrich the understanding of European policy-making (Koslowski 1999).

Several scholars argue that such a state-centric model is not entirely applicable to the European political reality. They note that “while the EU is more culturally coherent than most other international regimes, it is considerably more diverse than the most diverse federal states” (Hooghe and Marks 2006, 211). Instead, they conceptualize the EU as a multi-tiered or multi-level governance system (Hooghe and Marks 2001). In such a system the decision-making process is shared among the supranational, national, and sub-national levels. The state-centric model is challenged when the policy-making process is broken down in different phases – agenda-setting, decision-making, implementation, and adjudication – detailing the important role that other actors, distinct from the member states, play in the EU polity (Marks, Hooghe and Blank 1996). Hence, the focus of analysis must lie on all levels, neither just the supranational, as neofunctionalism proposes, nor just the national, as intergovernmentalism suggests, since it is the interaction of the three levels – the supranational, the national and the sub-national – that comprises the EU system. Within the context of the cohesion policy, it becomes clear that interactions are multi-dimensional, as the subnational actors may collaborate with the supranational level in order to influence the national level (Ansell, Parsons and Darden 1997, 350).

The multi-level governance approach builds on new institutionalist approaches, therefore, studying the interactions of these various actors at different levels. The multi-level governance conceptualization demonstrates that influential factors exist both above and below the state and the interactions between them dynamically shape political outcomes, portraying a more complete picture of the European political system. The process, therefore, is dynamic as multiple types of interactions have emerged among European executive administrations – the European Commission, European agencies, national public administrations, and regional authorities as a result of the multi-level system (Egerberg 2006). Although the technocratic influence of the supranational institutions had been anticipated by neofunctionalism, this approach extends the requirement for expert administration to the national and subnational level, arguing that policy outcomes in each country are dependent also on the institutional structure in each country. Cohesion policy is one of the policy areas in which multi-level governance is better understood, given that the planning, programming, and implementation of the policy requires the engagement of the European, national, and regional levels of government.

Despite the fact that many scholars have found the multi-level governance model useful, it is not without its critics, who emphasize that being mostly descriptive the approach, is not particularly enlightening (Walzenback 2006). Nevertheless, its appeal lies exactly on this systematic presentation of the EU as a system of governance.

Developing further the understanding of the EU as a governance system of multiple levels and actors, the multi-level governance approach is complemented by the analysis of policy networks (Kohler-Koch 1996). Due to the breadth of issues that the EU deals with and its supranational dimension, the EU becomes the basis for the creation of policy networks (Kohler-Koch and Eising 1999). Policy networks are formed because it becomes evident to different stakeholders that in order to advance their positions, they need to influence both the national and the European level. In this sense, the particular framework is more applicable in the daily functioning and policy-making decisions of the EU, rather than the history-making, "super-systematic" decisions (Peterson 1995). EU institutions attract particularly heightened interest group activity (Mahoney 2004). Transnational actors, the private sector, other interest groups, and non-governmental organizations (NGOs) play an increasingly important role in politics and policy-making. With member states accepting their role and transnational actors actively partaking in different consultations and decision-making processes, they demonstrate, beyond doubt, that the EU is more than intergovernmental organization (Kohler-Koch 1999, 18). Stakeholders benefit from closer and more intense communication as well as information sharing through a combination of formal and informal process. By joining with other actors in other member states that have similar interests, in the form of a "transnational cluster," they become more influential in the decision-making process (Kohler-Koch 1996, 368).

It is noted that policy networks seem to develop particularly, in those areas where expertise and special interests have more weight (Peterson 1995). These policy networks cluster around specific issues or processes, which results in greater interdependence between various actors, complexity in policy processes, overlapping activities, and more integrated solutions. Within this context, epistemic communities and advocacy coalitions compete in order to influence the different policy networks as well as the final policy outcome (Peterson 1995, 79). Having various and multi-directional relations with the European, national, and sub-national institutions and access to decision-makers, informal networks ensure the system's coherence (Christiansen and Piattoni 2003).

However, in addition to the development of these network that seek to advance specific policy objectives, actors and interest groups may also seek preferential treatment in exchange for political support or other benefits (Christiansen and Piattoni 2003). Hence, the EU as a whole and its policy-system are not liberated from the phenomenon of favoritism. Without adequate controls or sanctions, these clientelist relations can lead to corruption and threaten the efficiency of the integration process as a whole.

The insights provided by the policy network theory are particularly useful as they elaborate on the potential role that each actor has within the multi-level system and its relative influence on the policy-making system. The distinct characteristics of the EU governance system create opportunities for innovative policy practices and procedures that are not limited to state interventions and vary depending on the policy area (Tömel and Vendun 2009).

Legitimacy, deliberation and European identity

As noted, European integration theory evolves parallel to the integration process itself. Hence the debate on the future of Europe, the proposal for a European Constitution, and the eventual adoption of the Lisbon Treaty, following three referenda rejecting a new treaty,[4] as well as the eastern Enlargement, have provided new material for theorists to study and explore their assumptions and

[4] Here, in addition to the Irish referendum that rejected initially the Lisbon Treaty, the first two referenda that had rejected earlier the Constitutional Treaty in France and the Netherlands are also accounted for.

conclusions. Scholars raised questions regarding the relevance, democratic profile, accountability, and legitimacy of the EU.

Interest in the "democratic deficit" of the EU was not new; however, it has been linked to studies on the integration process itself as well as to the structure of the EU. The EU has undertaken several institutional changes, allowing for greater access to information, structured consultation processes, such as those organized by the Commission, and managed public participation. The increasing role of national parliaments, which often have to agree on the national measures to implement European obligations and the active role of the European Parliament in EU policy-making, have been considered efforts to address the democratic deficit and to provide "authorization, representation and accountability in the Union" (Judge and Earnshaw 2003, 293). Nonetheless, the public's engagement and role influencing decision-making has remained ambiguous (Zürn 2000). Similarly, despite measures that the Council had introduced to improve transparency in its proceedings, there is no evidence that its legitimacy has increased "in the eyes of ordinary citizens" (Hayes-Renshaw and Wallace 2006, 342). Moreover, it is not clear whether the increased and more active involvement of sub-national authorities and NGOs, in contrast to special interest lobbying groups, has sufficed in partially covering the noted EU democratic deficit (Piattoni 2009, 164). In response to these concerns, the mandate for the treaty revisions in the early 2000s incorporated the need to address the "democratic challenge facing Europe" (European Council 2001b). Theoretical reflections on these issues noted the distance between decision-making in Brussels and the citizens affected by those decisions. However, the "complex intersection of elite and mass politics" had not been examined (Checkel and Katzenstein 2009, 7). The public's rejection of the Lisbon Treaty triggered new thinking about the EU.

In an effort to explain these developments in the European integration process at the turn of the millennium, a postfunctionalist approach was proposed (Hooghe and Marks 2008). It argued that analysis of European integration has not examined the public's response to the integration process – perhaps because there was no reason to. The EU integration was perceived as an elitist project that had been designed in a way that would not require public engagement. The assent of the public was not required in a process whose role was to deliver on technocratic objectives. The integration process was in the hands of the Eurocrats and the stakeholders who would gradually become, according to neofunctionalism and policy-network analysis, supporters of the integration process. Evidence from federal states demonstrates the "federalist deficit" of this technocratic approach (Trechsel 2005). Since the 1980s, the EU's agenda expanded, touching upon almost all issues. In fact there are policies, such as the environmental policy, that are formulated and decided upon almost entirely in Brussels. With the expansion of the agenda, citizens become more interested in the EU. The referenda on the European issues have made it clear to all actors involved that the European public has become an influential, even if not always fully engaged, or necessarily supportive actor in the integration process. The European public has developed multiple identities that attach more or less significance to the EU (Risse 2005). The involvement of the public has led to the politicization of the EU integration process.

Postfunctionalists challenge the neofunctionalist argument that integration would lead to a transfer of loyalty from the national state to the supranational level, stressing that national loyalty retains its central position among political parties and the wider European public (Hooghe and Marks 2006, 213-215). They point in particular to the fact that the referenda and growing public discourse on the future of Europe allowed Euro-skeptics to become more vocal, despite receiving limited public support. Moreover, they do not consider that the rejection of the treaties is a case supporting liberal intergovernmentalism, since public opinion is shaped by several layers of identity that are not restricted to economic interest that influence the position of domestic groups (Hooghe and Marks 2008). Postfunctionalism considers politicization and the interest of the mass public to be a result of the integration process. Postfunctionalists, therefore, complete the understanding of the current European polity, arguing that the involvement of the mass public cannot be ignored (Schmitter 2008, 212).

The examination of the EU advanced further as concerns about the legitimacy of the EU sprung out of concern on the extent to which the European integration process is democratic – that is, whether it is understood, accepted, and shaped by the European public (Majone 2009). Based on the recognition that the EU, despite resembling a state, is not a state, the study of the EU's democratic nature is different from that at the national level. Hence, the focus of the study lies mostly in the extent to which the EU is legitimate and accountable. With such an understanding of legitimacy, which is considered a most suitable approach through which to examine the democratic nature of the EU, a different approach to integration has emerged (Eriksen and Fossum 2000). The EU is a case of "nonhierarchical networks and webs of communication among actors who address substantive concerns, and who are involved in the process of decision-making" (Eriksen and Fossum 2000, 257). This approach focuses on the deliberation or reasoned argumentation as a distinct component of the European Union, which legitimizes policy outcomes. Hence, the integration is characterized as a reflexive process (Eriksen 2005). This understanding argues that European integration is the result of deliberation among different actors, within the context of a legal framework and under a condition of trust, that constrains national interests (Eriksen 2005). Given that different communities engage in discourse *beyond* borders based on an institutional structure that facilitates communicative action, the EU constitutes an example of transnational democracy (Bohman 2007). In such a deliberative process, the EU policy-making system is experimentalist and dynamic, as framework goals can be revised based on policy outcomes, leading to a reconstruction of democracy within the EU (Sabel and Zeitlin 2010).

The link between democracy in the EU and legitimacy in the decision-making process is provided by the concept of political identity (Cerutti 2008). Arguably, citizens will be supportive of the EU, if it is representative of their values and concerns. The discussion on the EU's democratic deficit, the outcome of the recent referenda, and rise of Euro-skepticism reveal that a pan-European identity has not emerged. At the same time, Europeans have developed a strong affiliation to particular issues that are addressed at the European level. Hence, it is argued that there are plural European identities rather than a single European identity (Checkel and Katzenstein 2009). These identities relate both to the

European project – the structure institutions and the actors involved – as well as the process – the interaction amongst these actors and with the institutions.

Concluding remarks

This final point is critical to this research project and underscores the proposition that this study, while offering empirical evidence, benefits from the synthesis of theoretical perspectives that reflect on the EU. Sustainable development and its core component, environmental protection, as discussed in the next chapter, constitutes an element of European identity, a political commitment, a regulatory requirement, and a statutory provision. The main question that this research project poses is the extent to which the EU, considered both as a project and as a process, has been effective in delivering on its promise of sustainable development. Specifically, it examines whether the EU, as a multi-level governance system whose functioning is influenced by an interactive and communicative process of deliberation among European, national, and sub-national institutions and formal and informal networks, has adjusted the design and implementation of the cohesion policy to the accepted value of sustainable development.

Moreover, if the declarations of the EU with respect to protecting the environment constitute a component of the European identify, examining its implementation through the cohesion policy offers insights on the extent to which the EU governance system responds to change in public preferences and policy priorities. In this respect, the research project contributes to the academic discourse on the EU's legitimacy and accountability.

CHAPTER 3: SUSTAINABLE DEVELOPMENT - THE EU APPROACH

This chapter seeks to set the stage for the dissertation by examining the evolution of the concept of sustainable development. The first section presents the evolution of the concept at the global scale while the remaining sections focus on how the European Union (EU) has applied the concept over the years. Beginning with each pillar of sustainable development – the economy, society and the environment – and the policies that have evolved in each distinct field, the chapter focuses on the acceptance of sustainable development as an EU policy objective. Presenting the processes and policies that have been introduced in order to facilitate the transition towards sustainable development, the commitment that the EU has made is established. In this context, the case is made, that the integration of the environment constitutes a core component of the EU's commitment and a policy priority.

The concept of sustainable development

Despite earlier initiatives, the politicization of environmental issues can be placed as beginning in the 1960s when scientists raised alarm regarding the level of environmental degradation.[5] Policy makers were called upon to develop protection measures in order to reverse unprecedented ecological degradation.[6] Indubitably, environmental protection was viewed as antagonistic to development

[5] Rachel Carson's 1962 book *Silent Spring* probably best exemplifies the effort of the scientific community at the time to communicate the worrisome environmental data they were gathering (Carson 1962).
[6] Due to increasing public concern and wider attention to the topic of environmental degradation, the first national environmental laws and policies in Europe and the United States were developed in the 1960s and mostly in the early 1970s (Caldwell 1996, 32-47; Chasek, Downie and Brown 2010, 30-32).

and economic growth initiating a debate that has remained current at all political levels – local, national and international – during the past five decades.[7] In order to transcend, perceived or real, divisions between seemingly contradictory approaches and priorities, the principle of sustainable development was introduced (Chasek, Downie and Brown 2010, 32-35; Conca and Dabelko 2004, 229-233). The concept derives from earlier conservation discussions, particularly those relating to forestry issues, which did not carry significant political leverage. The concept of sustainable development, with its contemporary understanding, was first presented in the 1980 World Conservation Strategy, which argued that environmental objectives were not contradictory to development priorities (IUCN, UNEP and WWF 1980). Instead, the strategy emphasized that the welfare of present and future generations depended on the conservation of natural resources and life-supporting systems.[8] Sustainable development, however, obtained political acceptability and gained political significance in 1987 when the Brundtland[9] World Commission on Environment and Development presented sustainable development as the guiding principle for all decision-makers. In its report *Our Common Future,* sustainable development is defined as:

> Development that meets the needs of the present without compromising the ability of the future generation to meet their own needs. It contains within it two important concepts:

[7] The debate was already evident at a global scale at the UN Stockholm Convention on the Human Environment in 1972, which is the reference point for the internationalization of environmental protection. It was at the Stockholm Conference that the dilemma between development and environment was set forward very sharply (Caldwell 1996, 48-78; Conca and Dabelko 2004, 4-12).

[8] Another important document at the time, seeking to bridge the divide between development and environmental objectives was the World Charter for Nature (*World Charter for Nature* 1980).

[9] Gro Harlem Brundtland, Prime Minister of Norway, was the chair of the Commission which was set up as an independent body in 1983 by the United Nations.

- The concept of “needs”, in particular the essential needs of the world’s poor, to which overriding priority should be given; and
- The idea of limitation imposed by the state of technology and social organization on the environment’s ability to meet present and future needs (Word Commission on Environment and Development 1987, 43)

In essence, sustainable development is a concept that is founded on three pillars – economic, social and environmental. Each pillar represents a priority to which comparable significance should be given. Economic development, social development and equity and environmental protection should together create an inseparable whole that is sustainable development.

Since 1987, and in particular since the 1992 UN Conference on Environment and Development (sometimes referred to as the Rio Earth Summit), the international community has asserted and on several occasions reconfirmed its commitment to the achievement of sustainable development. *Agenda 21* from the Earth Summit, the United Nations Millennium Declaration, and the *Plan of Implementation* from the 2002 Johannesburg World Summit on Sustainable Development constitute the most politically significant elements of global agreement on the need to take action in order to steer the international community towards sustainable development (United Nations 1993; 2002; United Nations General Assembly 2000). As such they present broad guidelines as well as specific direction to its implementation. Nevertheless sustainable development can seldom be found in current practice.[10]

[10] During a workshop facilitated on the 10th anniversary of the publication of the Brundtland Report, it was concluded that in spite of a series of declarations of intent, there was an evident lack of implementation and provision of adequate financial resources (Softing et al 1998).

More than twenty years since the principle of sustainable development was conceived the state of the world projects a grim picture. Estimates conclude that the planet's biophysical limits have been exceeded and project that the equivalent of two planets are needed in order to meet the increasing annual production and consumption demands of a globally growing population by 2030 (Meadows, Meadows and Randers 1992; WWF 2010). Not only has society failed to achieve its full potential, but also, through its development choices, humanity has been unable to meet the basic needs of billions of people, while continuing to exert unprecedented pressures on the global ecosystem (Chasek, Downie and Brown 2010, 2-14). Stark contrasts in living standards persist, while economic and social inequity remains a fundamental problem. The recent and ongoing global financial crisis has heightened these contrasts. Pollution, climate change, loss of biological diversity, and depletion of natural resources undermine the natural ecosystems and the ecosystem services on which all human activities are dependent. Several reports, including the Millennium Ecosystem Assessment and the most recent report of the Intergovernmental Panel on Climate Change, raise alarm and point to unprecedented ecosystem degradation on a global scale (Millennium Ecosystem Assessment 2005; IPCC 2007).

Since alarming scientific data have been ineffective in redirecting political and economic priorities to date, studies have been commissioned to set an economic value, a price, to environmental problems in order to highlight the urgency of the action needed. This is not to say that the environment should not be protected for its own sake or that valuation processes are an accurate exercise without faults. Despite their shortcomings, they are immensely useful in providing an estimate of the scale of the environmental crisis. Two indicative recent studies are mentioned here. First, the Stern Review, commissioned by the UK Government, assessed the impacts of climate change and compared the costs of early response to climate change to that of inaction (Stern 2006). The conclusion provided by Sir Nicholas Stern was that the most cost-effective solution to climate change was that of early action: Investments of the scale of 1% of the world's gross world product are required per year to avoid the worst impacts of climate. If this investment is not made on time, the Stern study concludes that climate change impacts could cost the global community a reduction in consumption on the scale of 5-20%.

A similar conclusion is drawn by a recent report, commissioned by the G8+5 (i.e., the group of the eight largest world economies and five biggest industrializing economies), that attempted to estimate the value of biodiversity and ecosystem services in monetary terms in order to highlight to all decision-makers the need to take into account the world's natural capital (TEEB 2010).[11] An interim report, published while the valuation work was under way, estimated that the cost of biodiversity loss could reach a conservative 7% of the world's gross domestic product per year by 2050 (TEEB 2008). Hence, the scientific and economic evidence is clear that an immediate response is required to overcome environmental challenges, which remains the most neglected of the three pillars of sustainable development.

[11] The Economics of Ecosystems and Biodiversity is part of the "Potsdam Initiative" of the environment ministers of the G8+5 that was launched in 2007. It has the financial support of the European Commission, Germany and several other countries, while being also supported by the United Nations Environment Programme.

This section reviewed the emergence of sustainable development principle. Over the years, the notion of sustainable development has gained broad acceptance; however, there is much debate on its precise meaning (Baker and Eckerberg 2008, 5). Nonetheless, the framework of examination in this study has been the acknowledged requirement to change the policy direction, away from past practices. The examination, therefore, focuses on whether the institutional framework is in place in order to allow the EU to make the policy changes needed. The following section reviews sustainable development in the EU context.

Sustainable development and the European Union

Within the above framework, the European Union has partaken in the evolution and growing significance of the principle of sustainable development at a global level. Before examining how sustainable development became one of the core objectives of the EU, the following sections review separately the evolution of the economic, social, and environmental dimensions. It concludes with a review of the EU sustainable development strategy and the status of the concept in EU today.

Economic dimension

Among the three pillars of sustainable development, there is no doubt that the economy constitutes the EU's fundamental and primary objective. The EU's history, which began at the end of World War II, was founded on the idea that economic integration would interconnect European countries in an interdependent way that would diminish the prospects of another war. The previous chapter presented an overview of the theoretical approaches to the integration process and also included some of the landmarks of the economic integration. For the purposes of this research project, a long recital of the economic history of the EU is not deemed necessary. Instead, the history of European economic integration is considered a given and known background, with references to specific events or periods explained as needed.[12]

With the signing of the 1951 Treaty establishing the European Coal and Steel Community (ECSC) begins the process of European integration. A mere six years later, the ECSC was revised and the more ambitious Treaty of Rome, established a European Economic Community (EEC), becoming the keystone of European integration. The most important landmarks in the EU's history are linked to important economic achievements. The common market was the first objective. When attained, in 1968, the objective was revised to that of an internal market of goods and services. Once that was close to completion (in 1992) the objective became that of an Economic and Monetary Union (EMU). During the past six decades, the EU as a group of countries has evolved to an economic and financial global power, an important global trade partner and the holder of a common currency. At present, the EMU includes 17 out of the 27 member states. Hence, it is not complete. More important, it has yet to extend into fiscal policy. However, the current public debt crisis has struck the EU's foundations, bringing to light structural and political weaknesses of individual member states as well as the EU as a whole. The response of the Union was the establishment initially of a

[12] For a review of European economic integration see, among others, Molle 2006; Baldwin and Wyplosz 2009.

temporary and subsequently permanent European financial support mechanism, confirming the centrality of economic and financial dimension to European unity. Whether this was only a first step towards an acceleration of the integration also in fiscal policy is yet to be seen.

While the EU contemplates further integration, the economy remains consistently its *raison d'être* guiding both the widening and the deepening of the EU. In 2000, the European Council agreed that the EU should "become the most competitive and dynamic knowledge-based economy in the world, capable of sustaining economic growth with more and better jobs and greater social cohesion" by 2010 (European Council 2000). By adopting the Lisbon Strategy, the EU created an agenda for the modernization of the European economy through a series of policy actions that would boost economic growth and the creation of jobs. In particular, it aimed at streamlining already established actions in order to meet four objectives: 1) the promotion of information and communication technology, 2) the integration of financial markets and the coordination of macroeconomic policies among member states and strengthening competition, 3) mostly through the liberalization of markets that have so far been under protection or monopoly regimes (gas, electricity, postal services, telecommunications, etc.), and 4) modernizing and strengthening the European social model.

The Lisbon Strategy was reviewed in 2005. Although progress in meeting the overarching objective of making Europe the most competitive knowledge-based economy in the world by 2010 was recognized, significant shortcomings, in particular with respect to creating new jobs, were also acknowledged. Hence, the

Lisbon Strategy was relaunched at the Spring Summit in 2005 (European Council 2005a). The timing of this review was marked by recognition that the assumptions guiding the Lisbon strategy had changed as the global economy was influenced by such events as the “dot Com” bubble, the terrorist attack of 9/11 (2001) and the subsequent war in Iraq. The Lisbon Strategy was launched in order to respond to significant economic and social difficulties that the EU faced, including high levels of unemployment and slower than expected growth rates, among others. In 2005, when the strategy was to be reviewed it was believed that there were too many and dispersed objectives on the Lisbon strategy. Hence, the strategy focused on more immediate, short-term, outputs rather than long-term objectives. Specific emphasis was given to more growth and encouraging investments in Europe as well as knowledge and innovation, but these were partnered with the priority of more jobs.

The Lisbon Strategy revealed that while economic development remained the principal driver of the Union, other considerations have also emerged along the unambiguous economic objectives. This was true already since the early years of the integration. Even in the Treaty of Rome, one can find the foundations of other policies that were gradually raised within the European agenda, including regional cohesion and social issues. Over the years and the decades, new items were added to the original agenda. To these topics, and particularly, the social and environmental policies, the discussion now turns.

Social dimension

The social dimension of sustainable development within the European Union is largely conceived in terms of raising living standards and providing employment. Differentiated from the Brundtland definition, the EU understanding has focused mostly on employment and labor rights. This is not out of the ordinary, since the notion of a welfare state has been connected traditionally to employment (de Beer 2007, 376-377). However, other social dimensions, such as ageing, opportunities for the younger generations, equal opportunities, and vocational training, have been included over time also in the EU's social policy concerns. Indeed, it has been suggested that social policy is so broad a notion that in fact it is an all-encompassing concept with many distinct components (Majone 2003).

The concern of Europeans for higher living standards, in particular for workers, is enshrined in Title III of the 1957 Treaty of Rome (Articles 117-122), reflecting, the post World-War II European economies' agonies. At the time, the emphasis was largely on closer cooperation among member states on a series of employment-related matters (article 118), while particular attention was paid to the principle of non-discrimination between men and women, in particular as it related to remuneration issues (article 119), and note was taken of the possible need to cooperate on matters of migrants workers, especially their social security. The Treaty (Articles 123-8) also included specific provisions for the financing of this policy through the European Social Fund (ESF). Social policy and specifically the ESF was designed to support the improvement of working and living conditions by providing training and assistance in response to structural changes that resulted from the integration process (O’Connor 2005, 346). In other words, the ESF, by providing adjustment allowances, constituted the funding instrument to smoothen the process of completing the common market. As such, it became a fundamental component of social policy in the EU. In fact, the ESF provided the means for the EU institutions to become involved in a policy area, where sovereign rights of member states remained strong.

Despite these provisions in the Treaty of Rome, social policy was not central to European integration for many years. It was in the 1980s that the social agenda became a topic of interest. As the commitment to European integration revived, there was concern that the varied social standards across member states could distort competition and upset progress towards the internal market. At the same time, it was recognized that member states would have to implement further measures, to meet the single market requirements, which could have consequences that would require corrective interventions. Hence, there was a need for a European response.

As a result, the Single European Act added the possibility for the development of European legislation on improved health and safety standards across member states (Article 118). The conclusions of the 1988 Rhodes Summit reflected the mindset of the time: “completion of the Single Market cannot be regarded as an end in itself, it pursues a much wider objective, namely to ensure the maximum well-being of all, in line with the tradition of social progress which is part of Europe’s history” (European Council 1988b).

In response to higher unemployment rates and the changes in the structure of the European economy due to globalization and the prevalence of information technology and communications, social policy gradually gained important ground while maintaining the same employment focus as it had in the Treaty of Rome. The emphasis, nonetheless, has moved beyond remuneration concerns to issues of discrimination, equal opportunities for all, and social protection, among others. Two important developments have marked the evolution of the social policy in the EU.

First, member states, with the exception of the UK, adopted the Community Charter of Fundamental Social Rights for Workers, in 1989 (European Council 1989). Its purpose was to ensure that the social dimension and particularly labor rights would not be overridden in the effort to conclude the single market. Following the Maastricht revisions, the objectives of the European Union were amended to include among others the attainment of "a high level of employment and of social protection, the raising of the standard of living and quality of life" (Article 2). Consequently, steps could be taken in the social sphere, in particular under the Title VIII "Social Policy, Education, Vocational Training and Youth."[13] The amendment provided the EU the legal basis in order to initiate regulatory initiatives in these policy areas, while it was required to respect the subsidiarity and proportionality principles (O'Connor 2005, 347).

However, the social provisions gained greater legal leverage when the Protocol was integrated into the Treaty, under a new Title VIa on employment that provided that member states and the community could "work towards developing a coordinated strategy for employment and particularly for promoting a skilled, trained and adaptable workforce and labour markets responsive to

[13] Despite the UK's decision to opt out, the Charter was added to the Treaty as a Social Protocol to the 1992 Maastricht Treaty.

economic change."[14] The focal areas of EU involvement were: health and safety in the working environment, improved working conditions, inclusion into the labour market, equality between men and women and combating social exclusion. More importantly, the Amsterdam treaty also amended the objectives of the Treaty on European Union so that it would also "promote economic and social progress and a high level of employment" under the objectives of the EU (Article B). The addition of employment as an objective of the EU was the result of an unprecedented consensus among the member states as well as between member states and the EU institutions (Taylor 2006, 75-79). Without these legal changes, the social agenda of the EU would not have gained the momentum that it has over the past two decades (Scharpf 2002, 652).

In response to these developments and in order to set forward a framework which would enable implementation of the new Treaty objectives, a European Employment Strategy (EES) was agreed upon at the Extraordinary Luxembourg Summit in 1997 (Taylor 2006, 76; European Council 1997). The reduction of unemployment within a five-year period through the implementation of a series of guidelines prepared by the Commission became the main objective of the Strategy. The key concerns of the strategy were 1) to ensure employability, mostly by intervening with training and capacity building programmes; 2) to encourage entrepreneurship, in particular with respect to small and medium enterprises; 3) to create an adaptable workforce and flexible working conditions; and 4) to ensure equal opportunities. Over the past 15 years or so, the EES has grown into a significant EU policy instrument, leading to the adoption of several

[14] The Protocol was integrated in the Treaty text with the support of the newly elected, at the time, Labour British government.

EU directives that attempt to operationalize the Treaty provisions. However, it should be clear that there are limits to the extent of intervention at the EU level. Rather than following a regulatory approach, social policy has developed under a softer approach that is referred to as the open method of coordination (OPC) (de la Porte and Pochet 2001; Jacobsson 2004).

The second important development was the inclusion of what is broadly referred to as the European social model, and the need to modernize and strengthen it in the Lisbon Strategy (European Council 2000b). Within this priority, specific emphasis was given to employment, the challenge of Europe becoming an ageing society and the need to promote social inclusion by combating racism and xenophobia, providing equal opportunities for men and women and providing for the disabled. Within this context, in the field of social policy, was the adoption of Social Agenda 2000-2005, which was expected to give new impetus to "an economic and social Europe" (European Council 2000b). At a time when the EU was making a significant step in the process of economic integration, with the establishment of the EMU, there was increased concern on the future of social policy (Adnett 2001, 355). However, the Agenda recognized that "[e]conomic growth and social cohesion are mutually reinforcing. A society with more social cohesion and less exclusion betokens a more successful economy" (European Council 2000b, Annex I par. 9). Within this context, it identified six main challenges, to which the EU should respond: full employment and mobilization of the full potential of jobs available, benefit from technical progress, development of mobility, taking advantage of economic and monetary integration, dealing with population ageing, strengthening social cohesion, making success of enlargement in the social field and affirming the social dimension of globalization. The Agenda proceeded to assigning specific roles and tasks to each EU institution, in order to meet a set of six new orientations towards which social policy in the EU should aim (European Council 2000b).

The Social Agenda was updated and relaunched to cover the 2006-2010 period (Commission of the European Communities 2005d). The proposal was directly linked to the renewed Lisbon Strategy that would be approved only a few months later, as well as the upcoming review of the EU's sustainable development strategy. The Commission's communication stated explicitly that this was the "social dimension of economic growth" identifying the motto of the following years as "a social Europe in the global economy: jobs and opportunities for all" (Commission of the European Communities 2005d). The renewed Social Agenda had two main aims: to strengthen citizens' confidence and to promote measures that would move Europe towards full employment and would lead to social cohesion through providing equal opportunities for all. The emphasis on employment remained while being extended to concerns for combating exclusion and discrimination.

Given that employment constitutes an important dimension of the social model of the European Union, it is not surprising that the EES was further revised, most significantly in 2003, in order to streamline its guidelines with the objectives set out in the renewed Lisbon Strategy. The 2002 Barcelona European Council meeting identified three areas of priority action, with respect to reinforcing social cohesion and the social agenda adopted two years earlier: 1) active policies towards full employment: more and better jobs; 2) a reinforced employment strategy; and 3) promoting skills and mobility in the European Union (European Council 2002, par. 22-34). A year later in March 2003, following on the same track, the European Council noted that "[i]mproving the employment situation is central to the Lisbon Strategy. More and better jobs contribute both to economic growth and to reducing the risk of exclusion" (European Council 2003, par. 41). In other words, the European Council formally linked the Lisbon Strategy with the EES, making the latter a key component of the former, making employment and the objective of more and better jobs central to the attainment of Lisbon's objectives of modernizing the EU economy. It called for a new set of employment guidelines which were promptly adopted at the June European Summit under the title "A European strategy for full employment and better jobs for all" (Council of the European Union 2003). The strategy reaffirmed the three overarching objectives: full employment, improving the quality and productivity of work, and strengthening social cohesion and inclusion. At the same time, the Council also noted the connection between employment and social protection and social inclusion, asking that the three be mainstreamed at all political levels, including local and regional levels (European Council 2003, par. 48).

When the Lisbon Strategy was relaunched in 2005, the employment emphasis retained its previous character of focusing on having more people employed, a creative adaptable and flexible labor market, and investing in human capital (European Council 2005a). Again, social inclusion, education and training, and the reform of social protection systems were incorporated as priorities. The fact that the social concerns were integrated once more into the Lisbon Strategy justifies the perspective that it is not solely a neo-liberal, strictly economic strategy. Rather it encompasses a revised European social blueprint (Annesley 2007). Moreover, it has been argued that with a more integrated approach, one encompassing the social agenda, the performance of the European economy would further improve (Atkinson 2002). A significant difference from the first implementation phase of the Lisbon Strategy, showcasing the importance of employment, was the fact that the employment guidelines formed part of the macroeconomic and microeconomic guidelines that would implement the strategy, the first set of which for the 2005-2008 period were presented by the Commission (Commission of the European Communities 2005a) and approved by the June 2005 European Council (European Council 2005b). These integrated guidelines formed the tool that would boost the EU's growth and "help to achieve the overarching objective of sustainable development" (Commission of the European Communities 2005a, p.6). Eight of the 24 integrated guidelines, which focused mostly on micro- and macro-economic priorities, were specifically dedicated to employment issues. These integrated guidelines were considered adequate also for the second period of the relaunched Lisbon Strategy, i.e. for the period 2008-2010, which in any case, due to the financial crisis that was unfolding gave more emphasis to the economic and financial aspects.

From the above discussion, it is evident that the social dimension is very important in the EU, even as it is mostly connected to employment. The objective of more jobs, however, could be considered also an element, a tool, of economic policy. The remaining items on the EU's social agenda, which include issues of discrimination, equal opportunities, ageing populations, fit more with the concept of equity included in the definition of sustainable development. Nonetheless, given the long-standing high unemployment rates in Europe, it is not surprising that employment constitutes one of the most important elements of the social pillar. It should, however, be remembered that the role of the EU is limited given that the competence on employment remains largely with the member states. Nonetheless, the importance that the Lisbon Strategy gave to employment has upgraded the coordinating potential of the EU in this policy field. Consequently, it is not surprising that the Europe 2020 Strategy that was adopted in 2010 as a successor to the Lisbon Strategy, and will be discussed in detail below, has not only retained but indeed heightened even further the emphasis on jobs.

Environmental dimension

Unlike economic and social policy, environmental provisions were not included in the original Treaty of Rome. Already in the 1960s, Europe was faced with severe local and transboundary pollution issues. Citizens were concerned about their health, the contamination of the environment from chemicals, and the state of the environment. Slowly European governments responded to the calls of their citizens and adopted national legislative and regulatory measures setting pollution standards. Proponents of the common market, however, were concerned that states would use environmental measures and standards as an excuse to block some goods from entering their borders. Also, states with stronger environmental standards feared that states with weaker standards would have a competitive economic advantage and the differences would lead to a “race to the bottom” (Wealy et al 2000, 32-34). Hence, once the custom union had been attained in 1968 and following a decision to proceed with further European integration, it was argued that environmental matters should be considered at the European level (Council and Commission of the European Communities 1970). In other words, "convergence" to common European level environmental standards became the preferred policy. Accordingly, there was early European involvement in the development of environmental legislative instruments, most importantly on water quality, waste, and the classification and labeling of chemicals (McCormick 2001, 41-55).[15] In the absence of a clear legal basis for environmental policy, the Commission used Article 100 of the Treaty on the single market to explain its involvement (Knill and Liefferink 2007, 5-9). The Commission argued that the harmonization of environmental standards across Community members would deter protectionism under the disguise of environmental protection and would ensure the effective and fair functioning of the common economic market (Wealy et al 2000, 35). For both reasons, growing public concern about the environment and the fears of the effects of national environmental standards on the common market, one of the first new policy areas to which the European Union extended itself was the environment.

Officially, the European Union took on the environmental agenda the same year as the United Nations Stockholm Conference on the Human Environment at the groundbreaking October Paris Summit in 1972. The Council noted that:

[15] The 1970s witnessed the adoption of important legislative instruments including the Waste Framework Directive (75/442/EEC), the Birds Directive (79/409/EEC) and the many directives that related to water quality (surface water, fish water, bathing water, drinking water, etc).

> Economic expansion … is not an end in itself … It must emerge in an improved quality as well as an improved standard of life. In the European spirit special attention will be paid to non-material values and wealth and to protection of the environment so that progress shall serve mankind (Summit Declaration, European Communities 1972).

The statement is important because it explains the reasoning behind the decision to bring in environmental standards to the economic union. A year later the Council recognized further that continuous and balanced expansion of the Union "cannot now be imagined in the absence of an effective campaign to combat pollution and nuisances or of an improvement in the quality of life and the protection of the environment" (Council of the European Communities 1973). This is the period, therefore, to which the naissance of European environmental policy can be traced (Hildebrand 2005, 24). The aim of the EU's environmental policy, as outlined in 1973, was to obtain a level of environmental protection that could provide the best conditions of life. It became clear that economic growth was not an end in itself (Wealy et al 2000, 57). Rather, it was necessary to reconcile the EU's expansion with the need to preserve the natural environment. Although not mentioned *per se*, this is the essence of sustainable development. The Council's declaration provided a set of aims as well as the principles that should guide the EU's newly established environmental policy, before proceeding to adopt the first Environment Action Programme (EAP).

EAPs outline the EU's strategic direction in terms of environmental policy development and set the objectives that legislative or other instruments, e.g., strategies, should aim to achieve (Wealy et al 2000, 56-62). These multi-annual programmes reflect the environmental concerns of the time of their adoption while aspiring to the exploration of new approaches and ideas for the long term. For example, the first EAP focused largely on responding to pollution – the imminent environment concern of the time. It also initiated Community policy for other issues, such as the effects of various practices on agriculture and measures to protect birds and other species. Moreover, it emphasized the need to complement the environmental initiatives taken by international organizations, which the EU committed to follow closely.

Similarly, reflecting the environmental imperative of the time, the fifth Environmental Action Programme (1993-2000) aimed at committing the EU to the promotion of sustainable development throughout its policies (Commission of the European Community 1992). Fittingly it was entitled *Towards Sustainability*. As the first EAP to be planned since the introduction of the Brundtland definition of sustainable development and coinciding with the Earth Summit, the fifth EAP was "an important step in the long-term campaign to safeguard the environment and the quality of life of the Community and, ultimately, our planet" (Commission of the European Community 1992). The fifth EAP attempted to offer a comprehensive approach taking into account both the environmental issues at hand and the need for economic development (Wealy et al 2000, 61; Baker et al 1997, 97). The word *sustainable* as used in the text of the EAP, recognizing the Brundtland definition, was understood to reflect "a policy and strategy for continued economic and social development without detriment to the environment and the natural resources on the quality of which human activity and further development depend" (Commission of the European Community 1992). It was viewed as an incentive for the promotion of resource efficiency and the EU's comparative advantage to the global market as well as the integration of the environment into all policy fields.

The sixth EAP under the title *Environment 2010: Our Future, Our Choice* covers the period 2002-2012. It focuses on four priority areas: climate change, nature and biodiversity, environment and health, and natural resources and waste (European Parliament and the Council of the European Union 2002).[16] The sixth EAP recognized that "a number of serious environmental issues persist and new ones are emerging which require new action" and "aims to achieve a decoupling between environmental pressures and economic growth" (European Parliament and the Council of the European Union 2002). The sixth EAP emphasized the need for environmental integration into all community policies. It constitutes the environmental component of the EU's sustainable development strategy.

Returning to the evolution of environmental policy in the EU, while the EAPs provided a framework for the adoption of environmental measures, the legal basis for such interventions remained weak. Completion of the single market was a clear priority. However, over the years and especially in the early 1980s when the integration process gained renewed momentum, the need for improved environmental coordination across member states became more pressing. Such coordination at the European level was considered more effective than national initiatives (McCormick 2001, 54). By this time, it became clear that protecting the environment was not only a moral responsibility but in fact a necessary component of the European economy (Hildebrand 2005, 28). Given this growing importance of environmental policy in the political agenda and acknowledging the

[16] The Decision was based on a proposal of the European Commission (Commission of the European Communities 2001b).

value of the *ad hoc* yet useful environmental initiatives of the EU institutions, the 1986 Single European Act, the first significant review of the Treaty of Rome, created the legal basis for a European environmental policy. A new chapter (Articles 130r-t) recognized the environment as an EU competence, shared with the member states. From this point onward, environmental measures had their own legal basis in the text and legislators no longer had to seek ingenious justifications that would allow EU wide environmental policies and laws (McCormick 2001, 57). In other words, the Single European Act confirmed the *de facto* engagement of the EU institutions with environmental protection (Knill and Liefferink 2007, 13). But now they had also the *de jure* right to do so (Hildebrand 2005, 34). This development coincided with the growing global concern about the state of the environment, mirrored in the work of the UN Brundtland Commission. Article 130r as it read, identified the objectives of the EU's environmental policy as follows:

- To preserve, protect and improve the quality of the environment,
- to contribute towards protecting human health,
- to ensure a prudent and rational utilization of natural resource (Article 130r, Single European Act).

Since then the article has been amended on several occasions. The Lisbon Treaty, the most recent treaty reform, which entered into force in 2009, added at the end of this article that combating climate change was a specific objective of the EU at the international level. The article now lists the following EU environmental objectives:

- preserving, protecting and improving the quality of the environment,
- protecting human health,
- prudent and rational utilisation of natural resources,
- promoting measures at international level to deal with regional or worldwide environmental problems, and in particular combating climate change (Article 191, Lisbon Treaty).

As environmental protection gained momentum and was given political attention, the EU has tried to integrate environmental concerns in its objective to complete the internal market. The commitment to environmental protection within the context of furthering the economic integration can be found again in several policy declarations – for example, when the European Council declared in 1990 that:

> Completion of the Internal Market in 1992 will provide a major impetus to economic development in the Community. There must be a corresponding acceleration to ensure that this development is sustainable and environmentally sound (European Council 1990).

Hence, the legal basis of the environmental policy was further strengthened by both the Maastricht and Amsterdam treaty revisions, which were aimed at furthering the objectives of European integration.[17] Specifically the Maastricht revision retained the original text of the Treaty of Rome that defined the task of European integration as "balanced and harmonious development" and added particular emphasis to economic growth, which now had to "respect the environment." Hence, the task became:

[17] Moreover, the 2000 Charter of Fundamental Rights of the European Union, which was jointly proclaimed by the Council, the European Parliament and the Commission at the Nice Intergovernmental Conference, included environmental protection and in particular the imperative of integration under the Chapter on Solidarity (article 37) (Charter of Fundamental Rights of the European Union 2000).

> to promote throughout the Community *a harmonious and balanced development of economic activities, sustainable and non-inflationary growth respecting the environment*, a high degree of convergence of economic performance, a high level of employment and of social protection, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States (Maastricht Treaty, e*mphasis added*).

Although the precise meaning of the requirement to 'respect the environment' was vague, it was meant to raise the importance of environmental protection relative to the economic and social objectives of the Union (McCormick 2001, 62). At the same time it has been argued that the lack of clarity in the Maastricht provisions can be interpreted politically. Arguably, it allows inconsistent implementation and a mere nominal adaptation instead of meaningful change of existing practices (Baker et al 1997, 93). Nonetheless, the intention was strengthened by a second important amendment introduced with the Maastricht Treaty. A new article in the environment chapter of the Treaty introduced the requirement of environmental integration into all sectors (Article 130r(2)).

The Amsterdam revisions proceeded a step further. The objectives of the Union were revised once more and included the promotion of a "high level of protection and improvement of the quality of the environment" (Article 2). As will be discussed in the following section, the Amsterdam revision ensured that the tri-pillar structure of sustainable development would be correctly reflected in the EU objectives. This refinement in the language addressed the oxymoron that had emerged in Article G of the Maastricht treaty which sought the promotion of "sustainable and non-inflationary growth respecting the environment" (von Moltke 1995, 9).

Furthermore, the principle of environmental integration was granted even more legal weight with the Amsterdam Treaty revisions. It was elevated from the environment chapter to the early overarching articles of the Treaty that outline the principles that guide the operation of the European Union. Article 6 of the Treaty now read:

> Environmental protection requirements must be integrated into the definition and implementation of the Community policies and activities […] in particular with a view to promoting sustainable development.

As a follow-up to this development, the European Council adopted a communication by the European Commission that provided that different Council formations should consider the environmental dimension when reviewing developments in other sectoral policies, establishing what is known as the Cardiff process (Commission of the European Communities 1998; European Council 1998).

As a result of these changes, today, most European environmental law is produced at the EU level and has become one of the most voluminous fields of EU law. As a result, even the most progressive European countries are influenced by EU environmental policy (Jordan, Liefferink and Fairbass 2004). In other words, EU environmental policy has a strong impact on the content of national environmental policies. However, its implementation remains largely dependent on the measures adopted by each member state (Article 175(4)). While the environmental policies within the EU have been converging, environmental quality does not seem to be (Neumayer 2001). Due to evinced difficulties in implementing a significant and growing body of law that includes more than 200-400 legislative instruments, directives, regulations and decisions, there is growing interest in supporting its effectiveness as is also reflected in the sixth EAP, which sets improvement of implementation as its first strategic priority.

During recent years the EU has asserted itself as a global leader in environmental policy (Sbragia 1998). By taking a leadership role in multilateral environmental agreements, the EU was critical in the entry into force of the Kyoto Protocol. The EU has also established the most extensive greenhouse gas emissions trading scheme while having also adopted the most ambitious of targets for the post-Kyoto climate regime. Similarly, the EU has adopted progressive water legislation requiring river-basin management (Water Framework Directive 2000/60/EC) and has set up a network of protected areas, named Natura 2000, while setting an ambitious target of halting the loss of biodiversity by 2010. While the EU has not been able to meet this goal, its determination has remained strong with a revised target for 2020 and a long-term vision for 2050, adopted in March 2010 at the same summit that approved the EU2020 Strategy (European Council 2010a). Accordingly, the Commission presented a comprehensive new European biodiversity strategy that was adopted by the Council in 2011 (European Commission. 2011j; Council of the European Union 2011). With this 2020 Biodiversity Strategy, the EU reasserts its global leadership, just a few months following a Conference of the Parties of the Convention on Biological Diversity that agreed upon a global biodiversity target for 2020 (CBD 2010).[18] These references illustrate that environmental policy and law is a mature and extensive

[18] It is worth noting that the EU is taking a leadership role in both the climate change and biodiversity regimes, where the US is largely absent.

field within the EU. Nonetheless, while some progress has been made in some environmental fields, the environmental challenges persist (European Environment Agency 2010). Furthermore, there is no doubt that over the past forty years, the ecological footprint has grown and to date remains very significant (WWF 2005b). Consequently, more action is needed.

Sustainable development

The previous sections outlined the three distinct dimensions of sustainable development. In the following paragraphs unfolds a concise overview of the process that attempted to bring the three dimensions together and lifted sustainable development to a core objective of the EU. In particular, it examines major legal and policy EU initiatives that have been undertaken over the past years that confirm the importance of sustainable development within the EU.

Although it is possible to find reference to sustainable development and its importance in earlier occasions, the ground breaking moment of recognition of the principle as an EU priority is its first appearance in Treaty text in 1997. Nonetheless, it is important to mention that as early as 1988, a year after the publication of the Brundtland Report and three years prior to the Rio Earth Summit, the European Council endorsed the newly coined concept of sustainability declaring that "[s]ustainable development must be one of the overriding objectives of all Community policies" (Declaration on the Environment, European Council 1988b). In particular, the heads of state noted that "it is essential to increase efforts to protect the environment directly and also to ensure that such protection becomes an integral component of other policies"

(Declaration on the Environment, European Council 1988b). Importantly, this occurred while the EU was concentrating on completion of the single market in 1992. Similarly, sustainable development is mentioned as the basis of environmental European and international action in the 1990 European Council Declaration on the Environment (Declaration on the Environmental Imperative, European Council 1990). These two examples demonstrate, without doubt, that European decision-makers not only were aware of the principle of sustainable development since the very early days of its conception, but also accepted the principle as important for the future of the EU. Noticeably, as previously mentioned, the fifth EAP spanning the 1990s (1993-2000) was entitled "Towards Sustainability" in order to prepare the EU for the transition to sustainable development.

The EU, however, did not only accept the principle of sustainable development at a political level, but also legally endorsed it as a universal EU-wide priority. As the world was reviewing the five-year progress since the completion of the Rio Earth Summit, the European Union committed to the promotion of sustainable development. More specifically, Article 2 of the 1997 Amsterdam revision of the Treaty Establishing a European Community mentioned sustainable development as it outlined the objectives of the Union as follows:

> The Community shall have as its task, by establishing a common market and an economic and monetary union and by implementing common policies or activities referred to in Articles 3 and 4, to promote throughout the Community a harmonious, balanced and *sustainable development* of economic activities, a high level of employment and of social protection, equality between men and

> women, sustainable and non-inflationary growth, a high degree of competitiveness and convergence of economic performance, a high level of protection and improvement of the quality of the environment, the raising of the standard of living and quality of life, and economic and social cohesion and solidarity among Member States (Article 2, *emphasis added*).

With this amendment to this fundamental Treaty article, sustainable development became the overarching objective toward which all EU policies were to contribute. The phrasing of Article 2 following the 1997 revisions has maintained the tri-pillar focus on the economy, social issues, and the environment, which is integral to the concept of sustainable development and was missing from the 1992 text of the Maastricht revision of the treaty. Indeed, the common market, the economic and monetary union and all sectoral policies of the EU are set under the umbrella of sustainable development. Furthermore, Article 2 presents the components of sustainable development as understood within the context of the EU.

The Lisbon Treaty, which is currently in force, amended further the EU objectives, reiterating under article 2.2 the commitment to sustainable development:

> The Union shall establish an internal market. It shall work for the *sustainable development of Europe* based on balanced economic growth and price stability, a highly competitive social market economy, aiming at full employment and social progress, and a high level of protection and improvement of the quality of the environment. It shall promote scientific and technological advance (Article 2.2, *emphasis added*).[19]

[19] It is interesting to note that in the preparatory negotiations taking place in what was referred to as the European Convention (2002-2003), the objective of sustainable development as well as the principle of environmental integration had been eliminated from an early draft of the new treaty – referred to then as the "European Constitution." With the outstanding pressure exerted by environmental non-governmental organization the principle of sustainable development was

From the above discussion, it is clear that while political leaders of the EU already acknowledged and accepted the concept of sustainable development in 1988, it was in 1997 that they actually committed to its attainment. This commitment is repeated – with its tri-pillar definition – in the most recent revision of the Treaty.

As mentioned, the Amsterdam revisions took place the same year as the 19th Special Session of the United Nations General Assembly, which undertook a five-year review of the 1992 Earth Summit. The session repeated the commitment of all signatories to the Rio Declaration to complete their own sustainable development strategies prior to the 10th anniversary of the Earth Summit in 2002 (United Nations General Assembly 1997, par. 24). Following up on this commitment, the European Council asked the European Commission to prepare a comprehensive sustainable development strategy by June 2001 (European Council 1999b). The European Council expected the Commission to prepare a strategy that would "dovetail" policies that could ensure economic, social, and ecological sustainable development.

Interestingly, the request for this strategy was placed in a separate paragraph (par. 50) from a call for a special meeting in Lisbon in March 2000 to set the basis for a strategy on employment, economic reform, and social cohesion (par. 33) (European Council 1999b). The two paragraphs are placed in the same section of the Presidency conclusions entitled "Competitive, Job-Generating, Sustainable Economy" but in separate subsections, the former under the title

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properly reinstated in the treaty text. For more about that period, see Christopoulou and Long 2004.

“Environment and Sustainable Development” and the latter under the title “Policy coordination for economic growth and job creation.” This separation of a few lines is not merely an observation on the structure of the text. Rather, it reflects the level of understanding of sustainable development among member states. Matters relating to the economy and social aspects, such as employment and social cohesion, were to be considered separately and not as part of sustainable development, which was linked mostly to the environmental, or ecological, dimension. In this respect, it is interesting to note that “sustainable development” with its environmental pillar, was included as a subdivision under the section on “sustainable economy.” Given that the definition of sustainable development requires a balance among the three priorities of economic, social, and environmental interest, it is difficult to understand why the broader concept of sustainable development is placed under the economic priority rather than vice-versa. Perhaps, this can be explained by the fact that sustainable development was considered as a matter of the long-term, rather than of the short-term, towards which the economic and social priorities were geared. Member states did not seem to perceive sustainable development as a guiding principle for all policies – those yet to be planned, those in the pipeline, and, of course, those already being implemented. Instead, the concept of sustainable development was understood as having application further into the future. In other words, the exigency for immediate adjustment and change had not been effectively internalized by the EU leaders. At the time when the Council set the framework for two new strategies of the European Union, a distinction, if not a division, between the economic and social pillars on one side and the environmental one on the other was prevalent.

This is not to say that their commitment was not sincere. However, it explains why the sustainable development strategy of the European Union developed separately from the more economy-focused Lisbon Strategy. The impact has been lasting on the coherence of the two strategies.

As expected, at the 2001 European Council meeting in Gothenburg (European Council 2001), the European Commission's proposal for European Union Strategy for Sustainable Development entitled: "A Sustainable Europe for a Better World" was approved by the member states (Commission of the European Communities 2001a). It was agreed upon a year after the Lisbon Summit committed Europe to becoming "the most competitive and dynamic knowledge-based economy in the world" by 2010. Clearly, the Gothenburg strategy was the environmental addition to the Lisbon Strategy (European Council 2000a). While the Lisbon Strategy focused mostly on growth and jobs, the Gothenburg Strategy emphasized the environmental dimension, but also included few social objectives. The Gothenburg Strategy stated that in order to deliver its long-term vision of a "society that is more prosperous and more just, and which promises a cleaner, safer, healthier environment – a society which delivers a better quality of life" it is required "that economic growth supports social progress and respects the environment, that social policy underpins economic performance and that environmental policy is cost-effective" (Commission of the European Communities 2001a, 2). In other words, an effort was made to strike a balance between the three pillars as it recognized that, at least in the long-term "economic growth, social cohesion and environmental protection must go hand in hand" (Commission of the European Communities 2001a, 2). It is worth noting, however, that once more the weak notion of “respecting the environment” that was evinced in the Maastricht treaty resurfaced, shedding doubt whether in fact specific action to protect and improve the environment was expected. At that point, nonetheless, at least in theory, the two strategies should be considered as constituting together the backbone of Europe’s entry into the 21st century.

Examining the content of the Gothenburg Strategy, it becomes evident that primarily it constitutes the EU’s response to its global commitment to sustainable development. From a more technocratic and legal perspective, the European Union was in compliance with the UN General Assembly resolution which called for the development of sustainable development strategies. Also, in substance, the strategy was grounded on the belief that “developed countries must take the lead in pursuing sustainable development” (Commission of the European Communities 2001, 5). Furthermore, underlying the self-consideration of the EU as a global actor, the strategy cautioned that any adjustments that the EU made for its own policy should take into account the global consequences these may have (Commission of the European Communities 2001, 9). Hence, the EU appeared conscious of the global consequences of its internal policies. Nonetheless, in this first attempt to draft a sustainable development strategy, the global dimension was discussed only in brief, as the Commission committed to prepare a global addition to the strategy the following year.

Consequently, the strategy focused mainly on how “the EU should (…) [put] its own house in order” (Commission of the European Communities 2001, 5). The trends to which the strategy was called to respond and the action recommended had a very apparent European as opposed to a global focus. The prerequisites presented in the strategy as necessary to reverse unsustainable trends were urgent action, far-sighted political leadership, new integrated approach to policy-making, participatory process and international responsibility. The strategy proceeded in detailing first, cross-cutting proposals and recommendations; second, objectives and measures for six specific EU issues; and third, implementation and review steps. Listing all here is not necessary; however, it is worth highlighting several points that are related to the discussion that will follow in the subsequent chapters.

Among the cross-cutting proposals listed in the strategy, prominence was granted to the need to "improve policy coherence" and the need to reshape the preparation and implementation of EU policies. Emphasis was given to *ex ante* sustainability assessments that evaluate the environmental, social, and economic positive and negative impacts of each new policy proposal. The model behind the sustainability assessment of policies is the model of environmental impact assessments for projects and strategic environmental assessments for plans and programmes, the latter of which was actually adopted as an EU directive the same year as the Strategy (Directive 2001/42/EC). Immediately following such a proposal was a call for "better information." Despite this call for an improved scientific understanding and applied research, the strategy underscored the significance of the precautionary principle. The emphasis on the precautionary principle was consistent with the EU's long-standing recognition of the principle, which maintains that action should be taken in cases where, although scientific evidence may be insufficient, inconclusive, or uncertain, preliminary scientific evaluation indicates that there are reasonable grounds for concern regarding potentially dangerous effects on the environment or human, animal, or plant health (Commission of the European Communities 2000). The precautionary principle is enshrined under the environment chapter of the Treaty, since its 1992 revision. Furthermore, the precautionary principle constitutes one of the qualifying characteristics of the EU, in contrast to other policy principles promoted by other developed countries, in particular the US, which has been reluctant to accept this as a principle and refuses to even refer to it as such in international dialogue (Christoforou 2004; Krämer 2004).[20]

In its second section, the Strategy focused on six EU issues – challenges: climate change and use of energy, threats to public health, responsible management of natural resources, transport and land use management, combat poverty and social exclusion, and address the needs of an ageing society. For the first four issues, the strategy outlined objectives and measures to be taken at the EU level, while for the social provisions, the strategy summarized in an annex the objectives and measures that had been agreed upon in previous European Council meetings. Nonetheless, they were presented as an integral part of the strategy.

The final section presented the strategy's monitoring process, with the Commission committing to an annual progress report, the development of performance indicators, and a review at the beginning of each Commission's term of office, informed by a two-year stakeholder consultation. Moreover, the Commission recommended to other EU institutions to conduct a review of their working methods and structures so as to ensure that they would actually promote consistent policies that aim at sustainable development.

[20] For a different viewpoint that argues that both the US and the EU apply a precautionary approach but on different risks and different issues, see Wiener 2004.

As already mentioned above, the international responsibility of the EU regarding the attainment of sustainable development although mentioned was not detailed in the 2001 strategy. Hence, the following year, the Commission presented an addendum to the strategy focusing solely on the responsibilities of the EU as a global actor (Commission of the European Communities 2002). This external sustainable development strategy was accepted and approved by the Barcelona European Council, only a few months prior to the Johannesburg World Summit on Sustainable Development (European Council 2002). Complementing the Gothenburg strategy, it emphasized the EU conviction that industrialized countries should lead by example. Using as a reference global developments and conclusions of international conferences – a characteristic of the 1990s global environmental governance – the strategy identified the following issues: harnessing globalization, fighting poverty and promoting social development, and sustainable management of natural and environmental resources. Similarly to the EU's internal sustainable development strategy, specific objectives and actions were assigned to each issue. In order to accomplish these objectives, three preconditions were considered necessary: "greater coherence of European Union policies, improved governance at all levels, and increased financial resources to implement the necessary policies" (Commission of the European Communities 2002, 6).

From the above discussion, it can be observed that the first two years of the EU's first sustainable development strategy were consumed in indentifying and setting the objectives. The upcoming, at the time, World Summit on Sustainable Development (WSSD) as well as the deadline set by UN General

Assembly created the momentum for the drafting of the strategy. The EU aimed at demonstrating to the world its leadership role in this policy area and at differentiating its position from other industrialized countries.

The sustainable development strategy that the EU presented, however, did not present a completely new approach. The focus of the EU was largely on strengthening environmental protection, recognizing, that this was the pillar that was neglected the most despite its requiring specific and urgent attention. With such an understanding, the fact that the Lisbon Strategy on growth and jobs took off largely independently of the Gothenburg Strategy may be better explained. While without doubt it is positive that the environmental concerns were set high on the agenda, there seems to be an underlying notion that if the environment were protected, then the EU would achieve sustainable development in its complete, definitional imperative. On the eve of the 10-year anniversary of the Rio Earth Summit, sustainable development remained linked mostly to the environmental dimension, perceived as distinct and separate, even if an effort was made to place the three pillars of sustainable development at an equal footing through the development of specific objectives.

While there is no doubt that sustainable development is based on the protection of the environment for present and future generations, it is more than environmental protection. Sustainable development requires that environmental policy is taken into account as a priority in the same way that economic or social policies are taken in every decision that needs to be made (Lafferty 2004, 202-204). Sustainable development requires the operationalization of environmental integration in its most complete understanding. In fact, environmental integration constitutes a core component of sustainable development (Baker and Eckerberg 2008).

The comment is not meant to undermine the significance of the sustainable development strategy. It serves merely to point out that while environmental integration had been recognized as important already since 1988 and supposedly had become the practice of the different Council configurations since 1998, in practice it had yet to become operational. In this context, it is worth noting that at the time of the approval of the global sustainable development strategy, the Council emphasized that "[i]n this context, relevant Council configurations … have *now* adopted their strategies for integration of environmental concerns" (*emphasis added*) (European Council 2002, par. 8). Although the adoption of environmental integration strategies constitutes a significant achievement, it was only the first step toward actual environmental integration and was already four years delayed. Moreover, at the Barcelona Summit that was contemplating the external addendum to the EU's sustainable development strategy, the focus lay mainly with the review of the Lisbon Strategy and the extent to which economic and social objectives were met, without being linked to the objectives included in the sustainable development strategy.

While the adoption of the sustainable development strategy was a remarkable feat, the extent to which these would lead to actual sustainable outcomes has been questioned (Bomberg 2004, 64-68). Specifically, while the rhetoric was impressive, the commitment to implement the necessary changes was questionable. It was unclear whether the EU was prepared to really put forward the necessary policy reforms and commit the necessary funding (Burchell and

Lightfoot 2005). Evidence, in the meantime, continued to maintain that all trends and vital signs of the planet remained on an unsustainable track (The World Bank 2002; United Nations Environment Programme 2002).

The following year, in its March 2003 meeting, the European Council, for the first time since the establishment of the sustainable development strategy and a few months since the conclusion of the WSSD, seemed to recognize that there is a need to change the *modus operandi* of the EU. In particular, the European Council asserted that:

> At its annual Spring meetings, the European Council assumes the central role in setting the direction for the Union's economic, social and environmental action in order to meet the objectives of the Lisbon strategy to make the European economy *the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion* (European Council 2003, par. 3, *emphasis in the original*).

Despite the reference to sustainable economic "growth," in the link between the three pillars of sustainable development was recognized as the Council concluded that "[t]o achieve the Lisbon goals requires every Member State to perform to its full economic potential; but this must also go hand in hand with improvements in our environment and quality of life" (European Council 2003, par. 12). Hence, a consistent yet slow recognition of a need to redefine the working methods and most importantly working assumptions of the EU was revealed. In retrospect, however, it seems that the reference to "growth" rather than development was not only an unfortunate occurrence. It set the tone for the next decade, which despite efforts to be reconciled with the concept of sustainable development, in the revisions of both the Lisbon and the Gothenburg strategies, resurfaced in the EU 2020 strategy, largely due to the unprecedented recent economic crisis.

In December 2003, the European Commission presented a first review of the implementation of the commitments made by the EU at the Johannesburg World Summit on Sustainable Development the previous year (Commission of the European Communities 2003). The review highlighted the need for further action and identified the coherence of policies and the question of international governance as the two most important challenges that need to be overcome.

In February 2005, in light of the regular Spring Summit due to undertake the mid-term review of the Lisbon strategy and in order to initiate the review of the sustainable development strategy, the European Commission issued a first stocktaking of the strategy setting the orientation of the review (Commission of the European Communities 2005c).[21] In this document, the linkage between the Lisbon and Gothenburg strategies became more evident as the Commission quoted from its own Lisbon mid-term review that both strategies "contribute to [improving the welfare and living conditions in a sustainable way for present and future generations]. Being mutually reinforcing, they target complementary actions, use a range of instruments and produce their results in different time frames" (Commission of the European Communities 2005c, 4). The Lisbon Strategy would deliver more immediate results, while the Gothenburg strategy would bring change in the long term. Hence, it seems that even though the two

[21] It should be noted that in 2004 the European Council had already urged that the Lisbon mid-term review take also into account the upcoming review of the sustainable development strategy (European Council 2004a, par. 47; European Council 2004b par. 7).

strategies indeed followed different tracks, there was, from that stage onward, a conscious understanding that the commitments and objectives included in the strategies should be considered as complementary. It was this understanding that guided the review process of both strategies, the one that had just ended and the one that was about to begin. This conclusion was confirmed in the European Council's affirmation, which coincided with the relaunch of the Lisbon strategy, that "the Lisbon Strategy itself is to be seen in the wider context of the sustainable development requirement" (European Council 2005a, par. 42).

This first sustainable development review pointed out that the unsustainable trends to which the strategy was supposed to respond were far from reversed (Commission of the European Communities 2005c). As a result, the Commission set the tone for the need of a more detailed, clearer, and more focused strategy that would be able to deliver results. The review also called on the need to take into account the effects of the completed and future enlargement of the EU. Indeed in December 2005, the Commission presented a complete package containing its initial stocktaking, a sharpened version of objectives and actions, as well as a set of guiding principles that contributed in the adoption of a revised EU sustainable development strategy by the European Council in June 2006 (Commission of the European Communities 2005b; Council of the European Union 2006c; European Council 2006). In Annex 2 of the review, the various EU objectives, targets, policies and actions are listed and grouped under six subheadings, i.e., the six issues identified as EU priorities in 2001. The exercise was an efficient attempt to present a systematic and coherent list of objectives that the EU aimed at meeting followed by an indicative, albeit not complete, list of actions that either had already been launched or were being planned at the time. It served as a practical first attempt to synthesize initiatives that had been taken by different segments of the EU, more specifically of various Council formations and Commission divisions, on distinct aspects of sustainable development. Indeed, it was an important step in promoting a more integrated and comprehensive approach of what it would take to create a sustainable EU.

An additional demonstration of the fact that the EU was proceeding toward a more integrated approach with respect to sustainable development was the declaration on guiding principles that the European Council adopted in its June 2005 session in order to set the framework for the review of sustainable development strategy (European Council 2005b). In this document, for the first time a specific European perspective on sustainable development was presented. Indeed, for the first time a definition of what the objective of sustainable development means for the EU was provided. In particular, sustainable development was viewed as consisting of four key objectives: environmental protection, social equity and cohesion, economic prosperity, and meeting international responsibilities. In other words, to the usual tri-pillar definition of sustainable development a fourth pillar on the global dimension was added, in line with the early 2000s developments and the adoption of two separate strategies, an internal and external sustainable development strategy. Sustainable development, according to the Council conclusions was to be guided by 10 policy principles, including such principles as inter- and intra-generational equity, openness, policy coherence, policy integration, and the polluter pays.[22] Also of interest are the more detailed components of the definition which were included in the foreword of the declaration of the guiding principles: safeguarding of the earth's capacity, democracy, rule of law, respect for fundamental rights and freedoms, solidarity within and between generations, dynamic economy, full employment, high-level of education, health protection, social and territorial cohesion, environmental protection, peace, security, and cultural diversity.

Another significant factor in the June summit was that along with these guiding principles, the European Council also adopted a package of Integrated Guidelines on Growth and Jobs 2005-2008, which emerged from the review of the Lisbon Strategy (European Council 2005b, Annex II, 31). The fact that the two sets of guidelines were approved during the same session of the European Council and are introduced in different sub-headings of a section of the conclusions entitled "Economic, Social and Environmental Issues" signals a step forward in striking the right balance between what had so far been separate, if not diverging, EU priorities. Lastly, in its proposal for a renewed sustainable development strategy, the Commission emphasized the need to identify and use all possible mechanisms, policies, and instruments that would be able to deliver results (Commission of the European Communities 2005b). In addition, to setting up a system for periodic, yet systematic review of the strategy, the proposal also included actions that would promote improved policy coherence and further mobilization and engagement of different actors.

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[22] The 10 policy guiding principles were: Promotion and protection of fundamental rights; Solidarity within and between generations; Open and democratic society; Involvement of citizens; Involvement of businesses and social partners; Policy coherence and governance; Policy integration; Use best available knowledge; Precautionary principle; Make polluters pay.

The change in the language used at the highest levels of the EU can be noted in the actual revised sustainable development strategy which was approved in 2006, in which sustainable development was placed higher than other objectives of the Union. Although the strategy confirmed the complementary role of the Lisbon and the renewed sustainable development strategies, it noted that the latter "forms the overall framework within which the Lisbon Strategy, with its renewed focus on growth and jobs, provides the motor of a more dynamic economy" (Council of the European Union 2006c, par. 8).

The strategy to a great extent adopted the Commission proposals and used as its basis the set of guiding principles it had adopted the previous year. Following the same structure of listing objectives and targets for each issue, the strategy lists the actions that should be taken in order to meet them. To the existing six Gothenburg challenges identified as EU priorities (climate change and clean energy, sustainable transport, conservation and management of natural resources, public health, social inclusion, demography and migration, and global poverty and sustainable development challenges), a seventh one on sustainable consumption and production was added. The wording of all the challenges was updated – for example, the challenge regarding transport was rephrased from "improve the transport system and land-use management" to the more broad yet comprehensive challenge of "sustainable transport." These linguistic changes reflect, at least to an extent, the change – the maturing – in the understanding of several issues. However, they are also reflective of the modest progress that had been made in the first few years of the strategy, as all prior objectives remained the same.

Following a section on cross-cutting issues regarding education and research, the renewed strategy concludes with three sections that were considered particularly important for the ability of the EU to deliver results: 1) financing and economic instruments, 2) communicating, mobilizing, and multiplying success, and 3) implementation, monitoring, and follow-up. These infer a focus toward implementation, demonstrating that declaratory commitments alone are not sufficient in leading to change. This more systematic approach to the practical steps required in order to realize the objectives of the strategy constituted an improvement compared to the 2001 strategy, which, in fact, was not able to deliver much of what it had promised to. The emphasis on close monitoring of implementation was reiterated particularly by the European Council which adopted the strategy (European Council 2006, par. 17). As a result, several mechanisms, including a two-year monitoring report, a periodic review, and the identification of sustainability indicators were of particular significance. Moreover, the strategy outlined that the December, rather than the spring European Council would henceforth review every two years the results of the measuring report on the sustainable development strategy so that sustainable development would not be sidelined by other topics, and, even if not explicitly mentioned, particularly the Lisbon agenda. In the spring summits, the two strategies and follow-up processes should be discussed in a more comprehensive way, which would be more in line with the complementary character of the two strategies.

As expected, the first report measuring the progress on the implementation of the sustainable development strategy was issued in 2007. The overarching conclusion was that "the European Union is not yet on a sustainable development path" (Eurostat 2007, vii). The report included a varied and informative list of indicators grouped under 10 themes that corresponded to the challenges to which the strategy is designed to respond. A theme on socioeconomic development marked an effort to integrate aspects of the Lisbon strategy within the context of the renewed sustainable development strategy. Moreover, one set of indicators, consistent with the external sustainable development strategy of the EU, measured the EU's global partnership. The indicators that had been developed aimed at providing quantitative data on the progress made with respect to the specific objectives and targets included in the two strategies. The further development of the list of indicators and the collection of additional data remained a working project, and the limits of this first review were recognized throughout the report.

The conclusions of this Eurostat monitoring of sustainable development indicators were used by the Commission, which produced its own progress report as an initial stocktaking, informed by specific measurements and data, on the progress in implementing the renewed strategy (Commission of the European Communities 2007). Particular emphasis in the progress report was given to climate change, which has been one a field dominating European environmental policy in the 2000s, in spite of – or at least independent of – sustainable development strategy. The Commission noted that while several policy initiatives have been taken progress on the ground had been modest. Hence, the Commission highlighted the need for focused attention on implementation of the various provisions that composed the sustainable development strategy. The conclusions of the Commission were endorsed by the Council (European Council 2007).

The commitment of the EU to sustainable development was reiterated a few months later, when the Council initiated the second phase of the relaunched Lisbon Strategy (2008-2010), mentioning in particular that additional measures would be needed beyond 2010, when the Lisbon set deadline would have been reached (European Council 2008).

The concern about the future of the Lisbon Strategy, in particular due to the looming financial crisis, was prevalent in the following council sessions as well as in the second biannual review of the sustainable development strategy in 2009, which followed the same pattern as the one two years earlier (Commission of the European Communities 2009). In an effort to present a more inclusive evaluation of sustainable development, the review mentioned explicitly initiatives taken with respect to the social dimension of sustainable development, highlighting the renewed Social Agenda, the employment guidelines, as well as the EU's initiative to update the measurement of economic development to include well-being indicators, referred to as "beyond GDP". The EU's role in mitigating climate change was highlighted as a model for other sectors. However, the review underlined that despite progress in policy-making, the trends in several areas remained unsustainable. Given the objective of sustainable development in the strategy, the sector was examined in closer detail. The review concluded the sector needed focused attention. Similarly, the review highlighted the need for action in order to protect the world's natural resources and to reverse the down-sloping trends of biodiversity loss. The review concluded with the recognition that the need for intensified efforts remained. These Commission observations coincided to a great extent with those of the second Eurostat monitoring progress report (Eurostat 2009). The report noted that most indicators demonstrate similar trends to those observed in 2007. Most significantly, it confirmed that "more efforts are necessary in the European Union to get on the pathway to sustainable development" (Eurostat 2009, 27).

With the economic crisis' shadow in the background, the Commission considered it possible to turn the economic crisis into an opportunity. In an attempt to operationalize sustainable development, the Commission concluded that the crisis offered the opportunity to develop and promote globally an economic and social model that would be low-carbon, resource-efficient, knowledge-based, and socially inclusive (Commission of the European Communities 2009).

Taking note of these reviews and in time for the 2009 December Summit that was mandated to review the sustainable development strategy, a summary document was prepared. In this document, the Council Presidency made an effort to synthesize the observations and set the tone of the European Council conclusions (Council of the European Union 2009). The ineffectiveness in the delivery of results was mentioned explicitly. The EU determination on climate policy was once more perceived as a beacon of what the sustainable development could become. However, despite recognizing that the three pillars of sustainable development "need to be addressed in a balanced and integrated manner," it was observed that the immediate and significant impacts of the economic crisis and the higher unemployment rates "can require increased attention to be paid to the economic and social dimension of the SDS [Sustainable Development Strategy] in the coming years" (Council of the European Union 2009). This recommendation demonstrates that the ambitious Commission proposal to turn the crisis into an opportunity would not be easily accepted, and the viewpoint that sustainable development is a matter of the future, whereas the economy and jobs were matters that *should* take precedence, remerged. Consequently, the European Council in its biannual review of the strategy, while reiterating that additional effort was needed to reverse all the unsustainable trends, concluded that "the strategy will continue to provide a long-term vision and constitute the overarching policy framework for all Union policies and strategies" (European Council 2009). The Council recognized that several policy areas required urgent action but left the policy prescription to future reviews.

Europe 2020: Sustainable development in the making?

While it seemed that the proposals of the Commission would be set aside, some important developments have taken place that illustrate the incremental approach that characterizes the EU process. By 2010, the Lisbon Strategy's deadline had been reached and the discussion was ripe for the development of its successor. The European Commission presented its proposal entitled *Europe 2020: A strategy for smart, sustainable and inclusive growth* as the successor of the Lisbon Strategy (European Commission 2010a). The Commission proposed three priorities for the new decade: 1) smart growth, which would maintain the Lisbon emphasis on knowledge and innovation, 2) sustainable growth, which would emphasize resource efficiency through the promotion of new green technologies, combat climate change and implement the 2020 energy targets that the EU had adopted already in 2008, and 3) inclusive growth, focusing on employment considerations.

The Commission proposed five headline targets,[23] only one of which was environmental and explicitly focused on climate change, repeating the EU 2020 climate targets. The exceptional yet consistent emphasis given to climate policy reflected the political leverage and emphasis that had been given throughout the previous months in order to attain a successful deal at the 15th Conference of the Parties of the United Nations Framework Convention on Climate Changes that took place in Copenhagen in December 2009. The fact that Copenhagen did not result in a new international agreement, but was marked by the EU's determination to proceed with the negotiations explains further the dominant position of climate change. Moreover, the specific emphasis to climate change was consistent with the recent treaty revision that had added climate change as a field to which the EU would pay increased attention. In its proposal, the Commission also committed to presenting seven flagship initiatives that would help the EU meet its targets.[24] Among these the flagship initiative on efficiency

[23] The five headline targets that the Commission proposed were specific, i.e. numerical:

1. 75 % of the population aged 20-64 should be employed;
2. 3% of the EU's GDP should be invested in R&D;
3. The "20/20/20" climate/energy targets should be met (including an increase to 30% of emissions reduction if the conditions are right);
4. The share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree;
5. 20 million fewer people should be at risk of poverty (European Commission 2010).

The five headline targets that were finally accepted by the European Council were promoting employment; improving the conditions for innovation, research and development; meeting our climate change and energy objectives; improving education levels; and promoting social inclusion in particular through the reduction of poverty. However, the exact numerical targets remained under consideration (European Council 2010b).

[24] The seven flagship initiatives were:

1. "Innovation Union" related to research and development;
2. "Youth on the move" focusing on the education systems and youth employment opportunities;
3. "A digital agenda for Europe" related to access to high-speed Internet;

was the only environmental target, focusing particular on the measures needed to attain a low-carbon economy.

While one can discern the three pillars of sustainable development, sustainable development was not mentioned in the Commission proposal, with the exception of a reference *en passant* to the global role of the EU. Nor was there mention of the need to coordinate the EU 2020 Strategy with the sustainable development strategy. However, the Europe 2020 Strategy constituted a response to the economic crisis. It should be remembered that in early 2010, while the first phase of the global crisis, affecting the banking sector, seemed to have been controlled, a public debt crisis was emerging. The emphasis was primarily on growth and then on jobs. Nonetheless, the components of the EU proposal were those that the EU had highlighted as needed in order so that the EU would meet its sustainable development objectives. It is unclear whether this was an entrepreneurial move by the Commission or another submergence of sustainable development to short-term economic objectives.

In its review of the Commission proposal, the European Council concluded that the new strategy should "focus on the key areas where action is needed: knowledge and innovation, a more sustainable economy, high employment and social inclusion" (European Council 2010a). Interestingly, it referred to the new strategy with a different title than that proposed by the Commission, specifically: *Europe 2020: A New European Strategy for Jobs and*

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4. "Resource efficient Europe" on the promotion of a low-carbon economy focusing on energy efficiency, the use of renewable energy and the modernization of the transport sector, as well as generally resource efficiency;
5. "An industrial policy for the globalization era" focusing on competitiveness of business;
6. "An agenda for new skills and jobs" relating to the modernization of the labour markets
7. "European platform against poverty" focusing on social and territorial cohesion, and particularly on poverty and social exclusion (European Commission 2010).

Growth. Hence, the environmental dimension was once more downgraded in importance.[25] Due to the extraordinary circumstances unfolding in the economic and financial sector at the time, the emphasis of the Summit lay largely on the recovery of the European economy. Additionally, it was emphatically mentioned that “Jobs and social welfare are at stake” (European Council 2010a). Hence, while respecting the competences of member states in social and education policies, the Council gave particular emphasis to the need to promote employment. More so, three out of the five headline targets are linked directly or indirectly with social policies: promoting employment; improving education levels; and promoting social inclusion in particular through the reduction of poverty (European Council 2010b).

The Europe 2020 Strategy was adopted in June 2010 (European Council 2010b). The title and focus of the strategy was again revised merging the priorities considered earlier that spring. It was the Europe 2020 Strategy for jobs and smart, sustainable and inclusive growth. Specifically, the strategy that was expected to “help Europe recover from the crisis and come out stronger, both internally and at the international level, by boosting competitiveness, productivity, growth potential, social cohesion and economic convergence” (European Commission 2010b). Without doubt the economy remains the determining factor of European policy development. On the side of the economy, the social needs, translated typically to mean jobs, were also prominently confirmed. While the strategy includes the word *sustainable* in its title and objective, the word *environment*, is not mentioned, not even once.

[25] As mentioned, the European Council also confirmed its commitment to the new EU biodiversity targets, but these were not integrated in the discussion of the new strategy.

Although the European Council largely ignored the environmental dimension in the development of the Europe 2020 Strategy, the Commission particularized further its initiative on “a resource-efficient Europe” (European Commission 2011e). Under the Commission’s proposal the flagship was expected “to help decouple economic growth from the use of resources, support the shift towards a low-carbon economy, increase the use of renewable energy sources, modernise our transport sector and promote energy efficiency” (European Commission 2010a). Correspondingly, the focus of the initiative lay particularly on energy efficiency and the means to become a low-carbon economy (European Commission 2011e). Actually, the European Council has already confirmed its commitment to “safe, secure, sustainable and affordable energy” as a European priority (European Council 2011a). In this context, energy efficiency was promoted in order for the target set in the EU 2020 Strategy to be met (European Council 2011b). In fact, a new energy efficiency plan has been proposed by the Commission with the context of an increased effort of the Union in making the transition to a low-carbon economy by 2050 (European Commission 2011f; 2011g). Hence, whether under the energy-related or environment-related proposals, the emphasis on energy efficiency and low-carbon technologies are consistently promoted.

At the same time, the resource-efficiency flagship initiative included other resources, in addition to energy, that could be used more efficiently, including land, water, and materials (European Commission 2011e). Moreover, it presented the initiative as a long-term framework for action in various policy areas that in fact transverse almost all areas of EU competence. Hence, while the focus on growth and jobs is underscored, the initiative attempts to bring forward the need for environmental integration, even if it is not mentioned as such. It seems that this initiative is the only available tool to promote environmental concerns within the Europe 2020 Strategy that has become the overarching guiding strategy of the EU for the next decade. As the environment has been largely ignored in the Europe 2020 Strategy, resource efficiency serves as a side door for Europe's environmental policy. If European decision-makers interpret resource-efficiency as the means to change both production and consumption patterns in Europe, then the new flagship initiative can contribute to the transition to sustainable development (Baker and Eckerberg 2008, 7). If, however, resource efficiency is perceived as an approach that will result only in slight managerial adaptations of the development model, then the initiative will not contribute to the transition toward sustainable development (Baker 1997, 102).

Concluding remarks

Sustainable development is overarching in its ambition: It is global, puts forward a challenge and provides an incentive for change. At the same, given the scientific evidence of environmental strain, it is necessary. Moreover, although a theoretical concept, it has captured the political realm, which has raised it to a global priority that *should* be implemented.

This chapter demonstrated that the EU has made a commitment to sustainable development, which it currently lists as its core objective. The evidence provided has confirmed the "declaratory commitment" to sustainable development (Baker and Eckerberg 2008). While the rhetoric is strong, the EU has yet to operationalize sustainable development. Economic and social concerns are given priority, whereas environmental concerns are sidelined. The environmental pillar is the weakest of the three pillars of sustainable development. Short-term targets are preferred over long-term objectives. However, the concept of sustainable development requires that the environment be seen as priority, comparable to the economy and society. Therefore, environmental integration as a core element of sustainable development has been ineffectively applied, resulting in an inadequate realization policy coherence that the EU's own sustainable development has prioritized.

The following chapters examine the extent to which the structural funds, the EU's main financing instrument for development, have contributed to the implementation of sustainable development within the European Union. It is important to remember that the variable explored is not static; instead, what the project seeks to identify is whether a process is in place to move the EU towards sustainable development. Prior to examining the interaction between the two policy fields – environment and cohesion – the cohesion policy is introduced in the next chapter.

CHAPTER 4: THE EU'S COHESION POLICY AND THE STRUCTURAL FUNDS

The structural funds are the main financial instruments that implement the European Union's (EU) cohesion policy.[26] The objective of the EU cohesion policy is to address economic and social disparities across the European territory at the member-state and sub-state level with the objective of converging and raising living standards. Important landmarks in the policy's evolution over the decades coincide with either the different phases of the EU's broadening expansion or different stages of its deepening interdependence. Indeed, cohesion or regional policy is interlinked with both the EU's expansion and the furthering of European integration. Today, it constitutes an important EU policy, with a total budget of approximately €350 billion, accounting for more than 35% of the EU's 2007-13 financial perspective (European Commission 2010d). Although cohesion policy accounts for such an important part of the EU budget, this was not always the case. In this chapter, an overview of the evolution and significance of the policy is provided.

The concept of cohesion

Prior to proceeding with the account of the cohesion policy's evolution, it is worth explaining briefly what cohesion means. The concept is not clear, as it is interpreted to mean different things to different people (Begg and Mayes 1993, 128). Within the context of the EU and this research project, cohesion is

[26] As the chapter demonstrates, the financial instruments referred to as the structural funds have changed over time. As noted in this and the following chapters, the focus of this research project is the main instrument – the European Regional Development Fund (ERDF) – while note is also taken of the contributions of the Cohesion Fund.

understood as: “the degree to which disparities in social and economic welfare between different regions or groups within the European Union are politically and socially tolerable” (Molle 2007, 5; Begg and Mayes 1993, 129). When disparities increase, divergence is noted, whereas when disparities decrease, convergence is noted. Hence, finding the tolerable level of cohesion is a political objective that subsequently needs to be operationalized within a policy context (Leonardi 2005, 9).

In the EU, cohesion policy is understood to have at least three dimensions: economic, social, and territorial (Molle 2007). It is a policy that seeks to ensure that the economic benefits from the integration process are distributed fairly across different groups and regions (Leonardi 2005, 13). As such, cohesion policy recognizes that the market economy on which the European integration is based cannot correct pre-existing inequalities and in fact may exacerbate them, necessitating corrective interventions and redistribution mechanisms. The regions were considered the proper level for the implementation of these policies. The emphasis is on reducing inequalities among regions, not among individuals (Martin 2003). In order for progress to be assessed, measurable targets are needed (Commission of the European Communities 1996, 13). Cohesion is mostly measured in terms of the resulting convergence of wealth, competitiveness, and employment, which have become the main policy objectives (Commission of the European Communities 1996, 13; Begg and Mayes 1993, 429; Molle 2007, 7). Economic indicators, and primarily per capita income, have conventionally been the primary tools for measuring cohesion.

EU's Cohesion Policy and Structural Funds: an overview

The early years

The preamble of the Treaty of Rome did not mention cohesion. However, it recognized harmonious development as a fundamental task of the integration process. Article 2 outlined "harmonious development" within the context of socioeconomic objectives, such as "balanced expansion" and "raising of the standard of living", that are important elements of economic and social cohesion. The Treaty's preamble linked the harmonious development with the reduction of regional disparities. Nonetheless, in the Treaty text the territorial dimension of cohesion was not mentioned. While sowing the seeds for the development of a cohesion policy, the Treaty of Rome did not provide the legal basis for the development of a European regional policy. Regional policy remained a national competence as "no thought had been given … to moving the responsibility for the policy from the national to the European level" (Leonardi 2005, 33).

Although not founding a European cohesion or regional policy, the Treaty of Rome provided for the establishment of three separate financial instruments that later on came to be known as the structural funds, or the main financial tools of the EU cohesion policy.[27] The three funds were: the European Social Fund, the European Agriculture Guidance and Guarantee Fund and the European Investment Bank. While the research project does not concentrate on any of the three funds, they are reviewed briefly here.

[27] Formerly, the funds were known as the Solidarity Funds, a term that is now defunct and should not be confused with the EU Solidarity Fund which was established in 2002 in order to enable the EU to respond and assist a member state in the case of a natural disaster.

As was already outlined in the previous chapter, social priorities, especially in regards to employment and improving living standards, were included in the Treaty of Rome. To further these objectives, the European Social Fund (ESF) was established so as "to improve employment opportunities for workers in the common market and to contribute thereby to raising the standard of living" (articles 3(i) and 123). The ESF was the main instrument to promote what was not yet referred to as social cohesion. It was envisioned as an instrument that would assist and compensate for the loss of jobs caused by the structural changes in the member states' economy as a result of the progress in economic integration. With the concern for high rates of unemployment increasing, the ESF also supported migrant workers, mostly those leaving Italy and going to Germany to find work. As such, it focused on vocational training and the creation of new job opportunities. Gradually, the ESF was assigned additional tasks, as it focused on specific groups of the population, such as youth unemployment. The ESF is today considered one of the structural funds. Over the years the focus of the ESF has shifted from responding to unemployment to encouraging employment and from addressing social exclusion to ensuring social inclusion. However, due to its specific focus, the ESF is not examined within the context of this research project.

Title II of the Treaty of Rome provided for the establishment of agricultural guidance and guarantee funds (article 40(4)). These funds were an integral component of the Common Agricultural Policy (CAP). The CAP is one of the EU's most integrated and most important common policies, for which decision-making lies heavily with European institutions (Nugent 2003, 385). From 1962, when it was established, until 2005, when it was substantially reformed, CAP financing was delivered through the European Agriculture Guidance and Guarantee Fund (EAGGF) (Council of the European Economic Community 1962). The EAGGF, which for many decades accounted for the largest part of the EU budget, subsidized European agricultural products through such means as price guarantees and direct payments to farmers. A small percentage of the available agricultural funds, either through the Guarantee Section or most significantly through the Guidance Section, was aimed at the modernization of the European agricultural sector and more broadly the development of rural areas (Nugent 2003, 393-398).

In fact, in the Single European Act, the Guidance Section was listed among the structural funds as one of the means available for the promotion of harmonious development in Europe. With such an understanding the 1999 regulation of the EAGGF provided that the Guidance Section would be integrated with the structural funds in rural areas (Council of the European Union 1999d). Nonetheless, it was clear that it would primarily accompany and complement CAP interventions (Council of the European Union 1999d). Over the past decade, rural development has grown steadily to become an important financing priority. Following the 2003 CAP reform, the EAGGF was abolished and replaced by two separate funds in 2005. The European Agricultural Guarantee Fund (EAGF) maintained the role of the Guarantees Section of the EAGGF even as the specific actions subsidized were revised. The new European Agricultural Fund for Rural Development (EAFRD) became the main financial instrument for rural development policy (Council of the European Union 2005). Regarded as the “second pillar” of the CAP, the EAFRD has been delinked from the structural funds. Currently the EAFRD accounts for a little more than 20% of the CAP budget and not more than the 10% of the EU budget (European Commission 2010d).

The EAFRD and more broadly the emergent rural development policy have recognized the need for environmental integration as an important component for the sustainability of the European agriculture. As such, it has dedicated significant funds for nature, forestry, and other environmental priorities. Nonetheless, it has been and continues to be linked with the CAP, which is a separate and distinct policy of the European Union, accounting for more than 41% of the EU budget. For this reason, it is not examined in this research project.

The Treaty of Rome (article 3(j)) also founded the European Investment Bank (EIB) in order to "contribute to the balanced and steady development of the common market" through the provision of loans or guarantees for projects aimed, among others, at "developing less developed regions" (article 130). During the early years of European integration, the EIB constituted the sole European financial instrument whose objective included a specific reference to the assistance of regions. Although the EIB continues offering financial support to regional development in the European Union, it is differentiated from the other financial instruments. The main difference lies in the fact that the EIB offers better lending opportunities to either public or private entities, rather than grants from the EU budget, which is the case with the structural funds. Furthermore, the management, monitoring, and overall governance structure of the EIB follows different rules and methods that cannot be compared with those of structural funds. Consequently, the role of the EIB and its funding opportunities are not included in this research project.

Toward a cohesion policy

The previous section presented the three main funding instruments provided for in the Treaty of Rome. Although the Treaty called for harmonious development, the above-mentioned instruments co-funded pre-selected national projects without justification that these projects in fact promoted Europe's harmonious development. At this point, it should be understood that inequalities existed even when the EU was a unity of "six" (Molle 2007, 4-5). Although initially it was believed that convergence would be an inevitable consequence of the common market, it soon became clear that policy intervention was needed, as in fact structural changes aggravated pre-existing economic and social disparities (Leonardi 1995, 3-4). As integration proceeded, the need to address different development levels across the member states was recognized.

Indeed, the Commission attempted to underline the need for a cohesion policy, with an emphasis on regional development early on. For example, the European Commission organized a conference on regional economies in 1961 and presented its first report advocating for a regional policy in 1965 (Bache 1998, 35). Furthermore, the Commission established a Directorate General on regional policy in 1968. In addition, the 1970 *Werner Report* supported the development of a regional policy (Council and Commission of the European Communities 1970). In particular, the Report, which constituted a road map toward a European economic and monetary union, noted that regional disparities would impede on progress and highlighted the need for structural and regional policies not directly controlled by the national level.[28] The concern on the disrupting effect of national regional assistance to further integration was not unfounded. Article 92 of the Treaty provided for an exception to the ban on state aids only for regions with “abnormally” low living standards and significant levels of unemployment. Hence, this exception, as well as others allowing state subsidies, had the potential of undermining the common market. A system of regional assistance that would be coordinated at the European level was perceived as a safeguard of the progress attained thus far and a prerequisite for next steps (Bache 1998, 37). Thus, regional policy became an important component of the integration process, especially as the objectives of the integration evolved from a customs union to a single market, to an economic, and to a monetary union of many and diverse countries. Development differences at the regional level were considered an impediment in reaching these overarching objectives; hence, they had to be addressed.

The need for a regional policy was further hastened in light of the EEC’s first enlargement. Denmark, the United Kingdom (UK) and Ireland joined as members states in 1973. The accession of Ireland, the first poor country of the European periphery to join the EEC, contributed to the development of a European regional policy. However, of greatest influence was the accession of the United Kingdom (Bache 1998, 37; Anderson 1990, 425-426). Upon accession, the UK would become a net contributor to the EU budget, without obvious benefits accruing to it. Most of the budget was dedicated to the CAP that benefited

[28] It should be remembered that the objective of an economic and monetary union as a long-term objective of integration process was agreed upon following the completion of the customs union at the 1968 Hague Summit (Swann 1995, 271).

countries, such as France, whose agricultural sector was more important in their economies than was that of the UK (Swann 1995, 303). Moreover, the UK wished to ensure adjustment compensation for those of its regions that would be faced with competition from other European regions (Molle 2007, 141). Consequently, the financial instrument that was finally agreed upon served as a compensation mechanism to those countries that contributed most to the common budget (Bachtler and Turok 1997, 17).

Hence, the Commission's consistent persistence and the first enlargement led to the 1972 Council's decision to "give top priority to correcting the structural and regional imbalances in the Community which could hinder the achievement of the Economic and Monetary Union" (Summit Declaration, European Communities 1972). In other words, the Paris Summit, the first of the enlarged Community, set the foundations for the EU's regional policy. The Commission presented its proposal the following year, in which it outlined all the elements, principles, and methods that guide even today the EU's cohesion policy (Bache 1998, 38).

Two years later, the European Regional Development Fund (ERDF) was established (Council of the European Communities 1975). The ERDF's objective was "to correct the principal regional imbalances within the Community resulting in particular from agricultural preponderance, industrial change, and structural under-development" (article 1). In the preamble of the first regulation, the ERDF was linked to the task of promoting harmonious development of economic activities. Moreover, although it was recognized that the European Union did not have direct competence to formulate a regional policy, the preamble of the

Regulation mentioned that an “effective policy on regional structures is an essential prerequisite to the realization of economic and monetary union.” The legal basis for the establishment of the new policy was article 235, which provided that an extension of European policies could be sought in order to attain the overall European objectives. Hence, the ERDF regulation accepted the argumentation that had been presented in the period preceding its actual establishment that a cohesion policy was a necessary requirement for successful integration.

In order for the newly established regional policy to be effective, it was intended as additional to any national development funding each member state provided to its disadvantaged regions. Accordingly, the preamble of the Regulation, mentioned that “assistance should not lead Members States to reduce their own regional development efforts but should complement these efforts” (Council of the European Communities 1975). Hence, already in 1975, one can trace the origins of the principle of additionality that remains fundamental to cohesion policy today.

In practice, however, the impact of the European policy on regional convergence was initially minor. In effect, the ERDF constituted a financing mechanism that underwrote projects, mostly linked to industrialization priorities, selected by the member states (Leonardi 2005, 65). The allocation of funds was based on an annually negotiated system of national quotas, which the European Commission had to dispense without any control over or monitoring of how the funds were in fact used (Bache 1998, 42). In other words, “the view shared by the Member States [was] that the ERDF was not an instrument *to do more* for regional development but instead a way of reimbursing the national governments for what they were already doing to favour regional development" (Leonardi 2005, 42 *emphasis in original*).

While the member states were eager to use the funds based on national priorities, the Commission attempted to secure more oversight of the gradually emerging regional policy (Bache 1998, 48-50). Specifically, the Commission succeeded in gaining control of a small percentage of the available budget that would not fall under the quota system, to finance pilot projects based on its own criteria in pre-selected regions (Bache 1998, 54-57). Rather than being separate pilot projects, they actually constituted attempts to coordinate financing opportunities from separate funds (e.g. ESF and EAGGF) to promote a specific outcome (e.g., retention of workers) in a particular region. As could be anticipated, "the result was less than brilliant" (Leonardi 2005, 45). Moreover, the Commission initiated the Integrated Development Programmes in order to coordinate the application of all three available funds in the same region and attain development synergies, in 1982. In these early attempts, two more principles can be traced, which together with that of additionality, would form the basis of the Commission's proposals for the future cohesion policy: concentration and programming. In effect, the Commission had begun preparing the ground for a different approach in the implementation of the EU's regional policy.

The need for a reform of the policy intensified with the accession of Greece and the prospect of the accession of Portugal and Spain. The southern enlargement meant that regional economic and social disparities would grow, since the three countries were considerably less developed than the majority of the

EU member states. It was recognized that allocation of funds had to be based on objective criteria that ensured that funds would be channeled to those areas, regions of Europe, that were most in need (Bachtler and Turok 1997, 17). Accordingly, the 1984 regulation clarified that the ERDF's prime purpose was:

> To contribute to the correction of the principal regional imbalances within the Community by participating in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions (article 3, Council of the European Communities 1984).

Furthermore, during the negotiations period Greece made its acceptance of the two Iberian countries to the EU conditional on the allocation and actual distribution of additional funds. These funds would be earmarked specifically for regions that would face the greatest competition from Portugal and Spain. As a result, an additional instrument, the Integrated Mediterranean Programmes (IMP), with the following objective, was created in 1985:

> To improve the socio-economic structures of the regions, in particular that of Greece, in order to facilitate the adjustment of these regions to the new conditions created by the Community's enlargement in the best possible conditions (article 1 - Council of the European Communities 1985).

While Greece was listed as the main beneficiary, regions in France and Italy's rural south benefited also from the arrangement, which explains their supportive stance toward Greece's demand. The distinctiveness of Greece, which was "faced with extensive structural adjustment," was recognized in the preamble, allowing Greece to exceed the upper limit of 70% Community co-financing if the funds were used for infrastructure projects and were to be partially financed by loans (article 13). In addition to demonstrating Greece's successful negotiating skills of, which will be further discussed in Chapter 6, it is not an exaggeration to argue that the Greek argumentation that led to the introduction of the IMP served as a "prototype of what was later to become European structural policy" (Andrikopoulou and Kafkalas 2004, 39). Principles and practices that the Commission had been advancing since the establishment of the ERDF were introduced and accepted in the IMPs.

Drawing resources from the Community budget, the existing funds, and loans from the EIB, the IMPs were designed as multiannual programmes that would be applied in an integrated manner. Adopting the coordination principle that the Commission's integrated pilot projects had introduced, the IMPs went a step further. Rather than financing specific projects, the IMPs were mutually agreed-upon multi-year programmes drafted in collaboration with the regional authorities (article 5) on the basis of a pre-agreed-upon set of contents and approved by the Commission to fulfill the objectives set out in the regulation. Thus, with the IMPs, sub-state actors, namely regional authorities, were given a specific and important role in shaping the programmes that would be implemented in their territory. Hence, the IMPs introduced the principle of partnership into regional policy, breaking a long practice of national control over regional policy that did not engage those for whom the projects supposedly were designed. The partnership provision was important because of the nature of the funding and the projects envisioned to be financed. The IMPs were designed to provide "investments in the productive sector, the creation of infrastructures, and better use of human resources" (article 2(2)) in a range of sectors, such as agriculture; fisheries; energy; crafts; industry, including public works; and services, including tourism. The regulation included a detailed list of projects that could be financed under the IMPs (annex II). The caveat was that projects had to be "mutually complementary and … tailored to the characteristics of the various regions and areas so as to facilitate integration of the national and Community means used" (article 4). The purpose of the funds was to assist eligible regions to develop and to overcome the structural difficulties that EU membership created.

Indubitably, the provisions of the IMPs were tailored to the demands of the recipient countries. However, the IMPs included also additional requirements of closer monitoring of the implementation of the programmes as well as, for the first time, *ex-post* and *ex-ante* evaluations. These requirements were introduced upon the insistence of net-contributing countries, which sought to ensure the effective use of the funds. The Commission took over the role of overseeing the application of the IMPs, becoming a primary actor in cohesion policy (Bache 1998, 68). This was a role that the Commission had sought since the early 1960s and most openly since the establishment of the ERDF, when it persistently called for a greater share of the regional policy budget which it could disperse on the basis of set criteria.

The discussion above demonstrates the influence of the IMPs toward the evolution of a cohesion policy. Principles such as additionality, concentration, and partnership and practices such as multi-annual programming, monitoring, and evaluation were codified and have remained important elements of the EU's cohesion policy ever since. Moreover, by engaging not only national but also both supra- and sub-national actors in the various stages of the planning, implementation, and review of the IMPs, this early phase influenced the evolution of a dynamic system of multi-level governance within the EU.

Legal basis for cohesion policy and the 1988 reform

With the IMPs serving as a testing ground for future policy reforms, the adoption of the 1986 Single European Act signaled the transition of cohesion policy into a new era, at the same time Europe was preparing to complete a fully integrated internal market by 1992 and proceed with the monetary union. Specifically, a new Title V on economic and social cohesion provided that:

> In order to promote its overall harmonious development, the Community shall develop and pursue its actions leading to the strengthening of its economic and social cohesion.
> In particular the Community shall aim at reducing disparities between the various regions and the backwardness of the least-favoured regions (article 130a).

Hence, cohesion became the political umbrella for the structural interventions necessary for the completion of the internal market (Bache 1998, 69). The Treaty granted a solid legal basis for the development of cohesion policy and became the main tool to accomplish the EEC's founding objective of "harmonious development." Actually, these treaty revisions signaled the beginning of the "Europeanization" of regional policy (Leonardi 2005, 35).

The agreement on the development of a European cohesion policy was the outcome of extensive negotiations (Bache 1998, 76-79). Specifically, countries, such as Greece, that were in a disadvantaged position and anticipated costs as the

EU would proceed toward an economic and monetary union, made their acceptance of the expansion of the EU's objectives conditional to monetary compensation. As a result, while member states agreed to coordinate their own economic policies, the Single European Act grouped together, for the first time, the "structural funds (European Agricultural Guidance and Guarantee Fund, Guidance Section, European Social Fund, European Regional Development Fund), the European Investment Bank, and the other existing financial instruments" as the European instruments through which the objective of economic and social cohesion would be met (article 130b). Among the available instruments, the ERDF was identified as the main instrument "intended 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" (article 130c). Thus, the Treaty clarified that addressing regional disparities was considered the primary means to complete the cohesion objective.

Having a solid legal basis, the Commission proceeded with the presentation of the first significant reform of the EU budget, known as the Delors[29] I Plan or Package, which would enable the EU to respond to the new cohesion objectives. In order to meet these targets, additional resources were needed. Taking note of the Commission's proposal to double the structural funds' budget, the European Council accepted the imperative of the reform of the structural funds and approved large annual increases of the budget. The budget of the structural funds from 7,400 million ECU in 1987 would reach 13,000 million

[29] Jacques Delors was the President of the Commission at the time.

ECU in 1992 (1988 prices) (European Council 1987; 1988a).[30] The Commission also secured a small percentage of the remaining funds of the budget to be used for its own initiatives.[31] The decision for this sizeable increase of the budget reflected the importance that was awarded to the new policy as an essential component of the integration process.

In addition, the Commission proposed a major reform of the structural funds with a view to increase their efficiency. Its proposals were in accordance to the revised Treaty provisions and a response to the intensified regional disparities the Iberian enlargement created (Bachtler and Michie 1993, 722). Consequently, in June 1988, a new structural funds regulation was adopted (Council of the European Communities 1988). The regulation constituted a landmark: It was the first to integrate the structural funds under the common umbrella of cohesion policy. Building on the experience of the recent years, and particularly that of the IMPs, the regulation laid the foundations of the policy. Hence, the four key principles that had emerged were codified: additionality, concentration on the poorest and most backward regions, programming, and partnership. In order to make more effective use of these funds, the Regulation itemized the overall contribution of the funds in five priority objectives and identified which of the available instruments would contribute to the attainment of each one (Table 4-1).

Five objectives	**Purpose of each objective**	**Fund**
Objective 1	Promoting the development and structural	ERDF, ESF,

[30] In 1986 the budget of the structural funds was 5532 million ECU and accounted for approximately 18% of the total EU budget (Mendes 1990, 23). Hence, the member states agreed to both an immediate increase of the budget starting in 1988, as well as to incremental increases until 1992.

[31] The percentage accounted for approximately 8% of the budget allocated to the five objectives (Commission of the European Communities 1996).

	adjustment of the regions whose development is lagging behind	EAGGF Guidance Section
Objective 2	Converting the regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline	ERDF, ESF
Objective 3	Combating long-term unemployment	ESF
Objective 4	Facilitating the occupational integration of young people	ESF
Objectives 5(a) and 5(b)	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.	(a) EAGGF Guidance Section (b) EAGGF Guidance Section, ESF and ERDF
Table 4-1. *1988-93 Programming Period – Cohesion Policy objectives*		

The 1988 reform introduced a strong regional focus (Bache 2008, 41). A regional criterion was applied mostly in the case of objective 1 meeting the requirement of the Single European Act, which prioritized the need to support the regions that were lagging behind in development. For a region, classified at the NUTS 2 level, to be eligible for funding under objective 1, its GDP per capita had to be less than 75% of the Community's average (article 8.1).[32] Annex 1 provided the following list of the regions that were eligible for funding under objective 1 for the five-year period that the Regulation would be implemented (See also Appendix IV):

Spain	Andalusia, Asturias, Castilla y Léon, Castilla-La Mancha, Ceuta-Melilla, Valencia, Extremadura, Galicia, Canary Islands, Murcia
France	Overseas departments and Corsica
Greece	Entire country

[32] For statistical purposes the territory of the EU is classified under three levels of geographical subdivisions, called NUTS (Nomenclature of territorial units for statistics). A region falls under the NUTS 2 level. Actually, it is with Regulation 2052/88 that the NUTS classification is used by the EU for the first time. For practical purposes and in order to facilitate the implementation of regional policy, the classification is largely based on institutional subdivisions already existent in each member state (Eurostat 1999).

Ireland	Entire country
Italy	Abruzzi, Basilicata, Calabria, Campania, Molise, Apulia, Sardinia, Sicily
Portugal	Entire country
UK	Northern Ireland
Germany	Following the reunification of Germany in 1990, the Länder of East Germany were also included under objective 1.

Table 4-2. *1988-93 Programming Period – Objective 1 regions*

The ERDF, which could devote up to 80% of its appropriations to objective 1 regions (article 12.5), financed investments in the productive sectors, infrastructure development or modernization and improved use of each region's own development potential. Up to 75% of the costs of projects in objective 1 regions could be financed by the structural funds, while the Community funding could reach up to 50% in the other objectives (article 13.3).

Similar investments to the ones covered in objective 1 regions would also be available for objective 2 regions, which, however, were not listed in the regulation.[33] The eligibility criteria for objectives 3 and 4 focused on specific groups of the population, specifically the unemployed and youth, who would benefit from vocational training and incentives for the creation of employment. These were to be financed solely from the ESF. Maintaining its earlier status the Guidance Section of the EAGGF would fund actions linked to agriculture and rural development, which were treated separately under objectives 5(a) and 5(b). Regions included under objectives 1, 2 and 5(b) could also make use of funds available from the ESF.

One of the most significant changes brought about in 1988 was the agreement that EU funds would not finance individual projects proposed by

[33] In the case of Objective 2, as in most of objectives, other than Objective 1, the eligibility of regions is examined at a NUTS 3 level – that is, a more local level.

member states. Instead, the EU would co-finance programmes. Member states, in objective 1 regions, were required to present regional development plans, which would outline their priorities to be financed. The plans were then to be developed into Community Support Frameworks (CSFs) which would outline the European contribution to these priorities. The provision is significant since it clarified that structural funds were additional and complementary and would not substitute national investment programs. Through the CSF, therefore, actions funded by different funds were coordinated. The details of the measures to be co-financed by the EU were listed in operational programmes (OP).

Another significant change that the reform introduced was the requirement for engagement of regional authorities throughout the stages of the agreement of the CSF. In other words, the CSF was the product of the agreement of the Commission, the member state, and regional authorities, implementing the partnership principle. Partnership was defined as the consultation among the Commission, and national, regional, local, or other level competent authorities during the preparation, financing, monitoring, and assessment of operations (article 4). The importance of engaging the actors that are "most familiar with the problems and priorities of the targeted regions" is considered critical for the policy's successful implementation (Bache and Jones 2000, 1).

The changes introduced in 1988 revolutionized the application of the structural funds. The reform, as proposed by the Commission and accepted by the member states, sought for the cohesion policy to have real impact (Bachtler and Michie 1993, 722). Hence, the policy concentrated on the development of the objective 1 regions with the greatest share of the funding originating from the

ERDF. It is for this reason that this research project focuses mostly on the application of the ERDF in those countries whose whole territory was eligible as objective 1.

Evolution of cohesion policy

While the Single European Act granted its legal basis, the Maastricht Treaty, founding the European Union and providing the roadmap for entry into the economic and monetary union (EMU), reinforced the importance of socio-economic cohesion as an essential component of the integration process. Among the European Union's objectives was:

> To promote economic and social progress which is balanced and sustainable, in particular through the creation of an area without internal frontiers, through the *strengthening of economic and social cohesion* and through the establishment of economic and monetary union, ultimately including a single currency in accordance with the provisions of this Treaty (article B, Maastricht Treaty, *emphasis added*).

Moreover, with the revisions to the Treaty of Rome, economic and social cohesion was included among the tasks of the European Community. In addition, economic and social cohesion (article 3(j)) was listed as distinct and separate from "a policy in the social sphere compromising a European Social Fund" (articles 3(i)). With the Maastricht provisions, it became clear that the ESF would, henceforth specifically aim at labor mobility and adaptation to new circumstances (article 123). The ESF therefore was to be devoted mostly to employment priorities within the broader context of the EU social policy. Hence, it was reasserted that the main instrument to advance the EU's cohesion objective was the ERDF.

In this context, it is important to note that the Maastricht Treaty also established a new consultative body, the Committee of the Regions, which served as a representation of the regional level to the European decision-making system (Chapter 4). The Committee of the Regions was not envisioned to be linked only to the cohesion policy, although this was the field in which it was initially most active, and the Maastricht treaty listed other policy areas, such as public health, trans-European networks, and culture, for which consultation with the Committee was compulsory (Millan 1997; Schwaiger 1997). The establishment of the Committee of the Regions demonstrates that with increased attention given to the sub-state level particularly due to the flow of funds toward the regions, regional and local governments had become important actors in the EU governance system (Christiansen 1997).

In addition, the Maastricht Treaty introduced a new financial instrument, the Cohesion Fund, to finance "projects in the fields of environment and trans-European networks in the area of transport infrastructure" (article 130d). According to the Maastricht treaty, member states had to meet stringent economic and fiscal criteria, known as the Maastricht convergence criteria, in order to qualify for membership to the EMU. These required serious structural adjustments and fiscal discipline that in the view of some countries, most significantly Spain, as well as Portugal, Greece, and Ireland, would restrict their development potential. Hence, they advocated for a compensation fund to support them with the necessary adjustments (Leonardi 2005, 60).

The Cohesion Fund was established in 1993, as a specialized financial instrument for those countries whose GNP per capita was less than 90% of the EU average (Council of the European Community 1993b). The four countries that fell into this idiosyncratic new European category were: Spain, Portugal, Greece, and Ireland, i.e. the countries that benefited the most also from objective 1 funding. Each of the countries, in order to be eligible for Cohesion assistance, had to design a convergence programme that would avoid excessive government deficit. With the objective being entry into the EMU, assistance from the Cohesion Fund was considered temporary.

Notwithstanding the fact that the Cohesion Fund was listed under the economic and social cohesion title of the treaty, it was not considered one of the structural funds. Hence, the structural funds regulation did not govern its operation. Rather, its rules were distinct. Two made the most important distinction. First, it was a national instrument – funding allocations were made at the national, not regional, level. Consequently, negotiations were bilateral between the Commission and the member state, without the participation of regional authorities. Second, and most important, the Cohesion Fund was designed to support individual large transport and environment projects, rather than programmes. While initially not considered one of the EU's structural funds, it has become an important instrument of cohesion policy. In the 2006 regulation, the Cohesion Fund was recognized as one of the EU's structural funds (Council of the European Union 2006b). This is because member states, and particularly the four cohesion countries, have been faced with continuous fiscal discipline under the Stability and Growth Pact, even after entry into the EMU. Also, the EU's subsequent enlargement added many new member states that required assistance in maintaining fiscal discipline. Due to its specialized focus on financing environmental projects, the Cohesion Fund falls within the scope of this research project.

Following the Treaty revisions, and in view of the upcoming financial perspective, the European Council agreed on a renewed budget for the 1994-99 financial period, known as the Delors II package, in 1992 (European Council 1992). Confirming that economic and social cohesion constituted an essential Community component, the Council agreed to increase the funding available for cohesion once more. For the 1993-99 programming period, 176 billion ECU were committed to the cohesion policy, compared to 67 billion ECU for the 1988-92 period (1992 prices). An additional amount, approximately 15 billion ECU, was foreseen for the Cohesion Fund. Hence, from the first programming period to the second, the budget for the structural funds more than doubled. Structural actions accounted for more than 30% of the EU budget. Following the two reforms, in 1988 and 1992, the combined effect was a threefold increase of the EU cohesion budget by 1999 (Bachtler and Michie 1993, 724).

Furthermore, a new regulation was drafted and agreed upon in 1993 in order to cover the multi-annual programming period 1994-1999 (Council of the European Communities 1993a).[34] Reiterating the key principles of the policy (additionality, concentration, programming, and partnership), the Regulation tried to incorporate some of the lessons learned from the first programming period (Bachtler and Michie 1993; 1994). For example, regional development plans no longer had to be negotiated with the Commission, simplifying by at least one step

[34] It should be mentioned, although it will not be examined in this research project, that provision was made also for the coordination of the structural funds with the newly established Financial Instrument for Fisheries Guidance (FIFG). FIFG was an instrument of the Common Fisheries Policy, to modernize the fisheries sector, and to contribute to attaining objective 5a. Until 1993, the structural funding for the EU's fishing sector was provided through the EAGGF.

the structural programming processes (Hooghe and Marks, 2001, 96). Among the important revisions that the new regulation introduced was the expansion of the partnership principle to include in addition to regional authorities the participation of socio-economic partners in all relevant consultations (article 4). On the whole, emphasis was mostly on the need to make the application of the structural funds "more effective, simpler and more transparent" (Preamble).

The new regulation proposed relatively minor changes to the regions eligible for funding. As shown in Table 4-3, objectives 3 and 4 were merged into one common objective 3 that would promote employment, and a new objective 4 was created focusing particularly on "facilitating the adaptation of workers of either sex to industrial changes and to changes in production systems" (article 1). When Austria, Finland and Sweden acceded to the EU in 1995, the regulation was amended defining a new objective 6 that would be targeted to the sparsely populated regions of Finland and Sweden (Bachtler and Turok 1997, 25). The eligibility of these regions for structural funding was in fact the result of a compromise between the Nordic countries and the EU institutions (Kodolov 1999). The EU agreed to the allocation of funds to the peripheral regions of the two countries, because it eagerly wanted them to join the EU. The two countries insisted on their demands in order to convince their public that entry into the EU entailed not only costs, but also benefits, as the two countries would become net-contributors to the EU budget.

Six objectives	**Purpose of each objective**	**Fund**
Objective 1	Promoting the development and structural adjustment of the regions whose development is lagging behind	ERDF, ESF, EAGGF Guidance Section, FIFG
Objective 2	Converting regions seriously affected by industrial decline	ERDF, ESF

Objective 3	Combatting long-term unemployment and facilitating the integration into working life of young people and of those excluded from the labour market	ESF
Objective 4	Facilitating the adaptation of workers to industrial changes and changes in production systems	ESF
Objective 5 (a)	Speeding up the adjustment of agricultural structures in the framework of the reform of the CAP and facilitating the structural adjustment of the fisheries sector in the framework of the reform of the Common Fisheries Policy	ERDF, EAGGF Guidance Section, FIFG
Objective 5(b)	Facilitating the development and structural adjustment of rural areas	ERDF, ESF, EAGGF Guidance Section
Objective 6	Promoting the development of regions with an extremely low population density	ERDF, ESF, EAGGF Guidance Section, FIFG

Table 4-3. *1994-99 Programming Period – Cohesion Policy objectives*

During the second programming period, the 1997 Amsterdam revisions of the Treaty were agreed upon. The Treaty revisions did not introduce significant changes in the field of cohesion policy, except for the fact that the objective of the policy was further refined to include also islands among the regions that should be the focus of its operations (article 30).[35]

Hence, the next milestone in the evolution of the cohesion policy was the preparation of the 2000-06 programming period. Although the legal basis of the policy remained the same, the context in which the policy was to be applied was different. Two factors in particular necessitated reforms in the cohesion policy: the EMU, which most of the member states joined or expected to join, and the EU's eastern enlargement (Begg 1997).

[35] As mentioned in the previous chapter, the Amsterdam Treaty strengthened the EU's involvement in social policy and its contribution to the objective of full employment, to which the ESF's emphasis increasingly was attached.

At the time of the new regulation's negotiations, it was unclear which of the countries would be included in the upcoming enlargement, or when exactly the enlargement would take place. In effect, it was a two-step process. In 2004, eight central and eastern European (CEE) countries[36] plus Malta and Cyprus joined the EU, while Bulgaria and Romania joined in 2007.

Responding to the challenges that these two major developments would create, the Commission's proposed Agenda 2000, as a framework of reforms to be implemented within the new financial perspective, was approved in 1999 (European Council 1999a). These reforms ensured that even with a stabilized structural funds budget at the 1999 levels, accounting for 0.46% of the EU GDP, contrary to the practice of absolute increases of the previous programming periods, a more effective, concentrated, focused, and decentralized cohesion policy could be implemented. In fact, Agenda 2000 would lead to an increase in absolute terms of the structural funds budget of the 2000-06 programming period of 25-30% compared to the 1994-99 period (Leonardi 2005, 61; Hall and Rosenstock 1998, 636). Cohesion policy became the second most important item on the EU budget (Thielemann, 2002).

In the late 1990s, the anticipated enlargement raised concerns about the future application of the cohesion policy. In fact, the accession of new member states to the EU was expected to add strains to the EU budget as a whole (Seguiti 2003). In terms of the cohesion policy, impact was in fact two-fold. First, the level of economic development of the ten accession CEE countries lay below the EU average. With convergence remaining an important priority they would be eligible

[36] The eight countries were: the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia, and Slovenia.

for cohesion funding, and it was expected that the structural funds would have to be redistributed towards the east (Molle 2007, 281). As a result, the 2000-06 programming period was perceived as the last opportunity to direct funds to those regions of the old member states that were mostly in need.

The second concern related to the impact that the entry of the ten new countries would have to the regions lagging behind in development until then. It was understood that the EU average income would fall due to the accession of ten largely poorer countries. As a result, some of the regions of the old member states eligible for structural funds before the enlargement would fall below the threshold of assistance. Such a situation raised concerns among the largest recipients of the structural funds to date, namely Spain, Greece, and Portugal, among others, who wanted to ensure the continuation to the greatest possible amount of these additional funding resources.

The regulation for the 2000-06 programming period was the outcome of extensive negotiations within this new terrain (Bache 2008, 44). In an effort to be more effective in the use of the EU funds, eligibility criteria concentrated around three main objectives presented in Table 4-4 (Council of the European Union 1999b). While respecting all guiding principles of the cohesion policy, the three new objectives constituted a strengthening of the territorial and regional approach, that had been restrained mostly to objective 1 regions until then (Leonardi 2005, 61-62). At the same time, however, the objective remained more stable than the others, retaining its focused attention to those regions lagging behind in development. Regions whose GDP per capita did not exceed 75% of the EU average qualified for this objective, which had been allocated close to 70% of the structural funds budget. It should be noted that the former objective 6 regions also became eligible for objective 1 funding. However, the budget allocations reveal that the three new member states were only allocated 3% of the structural funds budget (Leonardi 2005, 62-63). The new objective 2 brought together industrial (objective 2) and rural (objective 5b) regions facing structural difficulties. Objective 3 was exclusively dedicated to employment, education, and training priorities, with financing from the ESF. It becomes therefore evident, that despite an effort to concentrate the funding's scope, all previous funding opportunities remained, but in different form (Martin 1999, 81).

Three objectives	**Purpose of each objective**	**Fund**
Objective 1	Promoting the development and structural adjustment of regions whose development is lagging behind	ERDF, ESF, EAGGF Guidance Section, FIFG
Objective 2	Supporting the economic and social conversion of areas facing structural difficulties	ERDF, ESF
Objective 3	Supporting the adaptation and modernisation of policies and systems of education, training and employment	ESF

Table 4-4. *2000-06 Programming Period – Cohesion Policy objectives*

Actually, in order to provide more focused assistance, and concentrate to the regions most in need under each objective, the Regulation prevented a region that was eligible for objective 1 funding from benefiting from funding under the other two objectives (articles 4 and 5). The same was not true for objective 2 and 3 regions. Objective 2 was allocated 11.5% of the budget, while objective 3 was allocated 12.3% (article 7). Four separate Community Initiatives could use the remaining budget (article 20).[37]

For the first time, the Regulation specified a transition arrangement for those regions, such as regions in Ireland, Portugal and the UK, which no longer qualified for funding under a specific category. Without doubt the structural funds, constituted an important element in the each economy where they were applied, especially for objective 1 regions. Hence, to avoid any negative consequences an abrupt loss of funding could have, adjustments were introduced to facilitate regions that were no longer eligible either under objective 1 or objective 2 as they transitioned into the new category of funding.

Spain	Andalusia, Asturias, Castilla y Léon, Castilla-La Mancha, Ceuta-Melilla, Valencia, Extremadura, Galicia, Canary Islands, Murcia
	Cantabria
France	Guadeloupe, Martinique, French Guiana and Reunion
	Corsica and the arrondissements of Valenciennes, Douai and Avesnes
Greece	Entire country
Ireland	Border Midlands & Western
	Southern and Eastern
Italy	Basilicata, Calabria, Campania, Apulia, Sardinia, Sicily
	Molise
Portugal	North, Centre, Alentejo, Algrave, Azores and Madeira
	Lisbon and Tagus Valley
UK	South Yorkshre, West Wales and The Valleys, Cornwall and Isles of Scilly and Merseyside
	Northern Ireland, Highlands and Islands
Germany	Brandenburg, Mecklenburg-Western Pomerania, Saxony, Saxoy-Anhalt, Thuringia
	East Berlin
Austria	Burgenland

[37] The four Community Initiatives were: INTERREG (supporting cross-border, transnational and interregional cooperation); URBAN (supporting economic and social regeneration of cities and neighborhoods); Leader (supporting rural development projects) and EQUAL (focusing on combating all forms of discrimination and inequalities in connection with the labour market). Community Initiatives were allocated approximately 5% of the structural funds budget. The concentration principle applied also to the Community initiatives that in earlier periods were too numerous spreading thin limited available resources.

	-
Netherlands	-
	Flevoland
Sweden	Part of North-central Sweden, Central Norrland and Upper Norrland
	-
Table 4-5. *2000-06 Programming Period – Objective 1 and transition objective 1 regions*	

Furthermore, in order to prepare the accession countries for their entry to the EU, the 2000-06 programming period provided assistance to these countries. The pre-accession funds (PHARE programme, Instrument for Structural Policies for Pre-Accession (ISPA), Special Accession Programme for Agriculture and Rural Development (SAPARD) financed measures taken by accession countries to adopt of the existing body of Community law and to promote their economic, social and rural development. Funds from the structural funds were reserved for those countries that would enter the EU prior to the completion of the programming period. However, as had been anticipated the funds available for the new countries would not cover their needs sufficiently (Martin 1999, 97). When the 2004 enlargement took place, therefore, only few adjustments were necessary. Most significant changes were left for the new programming period.

The 2000-06 programming period introduced several provisions that were targeted especially at improving the efficient use of the funds (Council of the European Union 1999b). Hence, for the first time, the Regulation described in detail the responsibilities both of member states and the Commission in monitoring and controlling the application of the funds. For example, the responsibilities of national and/or regional managing authorities with respect to overseeing the financial progress of the funded measures were outlined. Similarly, the responsibilities of the monitoring committees were detailed. While the member states, and in particular their central governments were assigned important roles, the 2000-06 confirmed the policy's multi-level governance character (Sutcliffe 2000). Moreover, the evaluation process of the funds was amended giving more responsibility to member states for ex-ante evaluations compared to the previous programming period, introducing a mid-term evaluation, while the ex-post evaluation became the Commission's primary responsibility.

The 2007-13 programming period, currently implemented, was prepared in a completely different context than the previous programming periods. The EMU had already been launched and the Euro had become the EU's common currency; the first eastern enlargement process had been completed, while Bulgaria and Romania were soon to become the newest EU member states; a new Treaty was negotiated; and through the Lisbon Strategy the EU had committed to becoming the most competitive economy in the world by 2010. With such a new background, a reform of the structural funds was in place.

The negotiations for the new programming period, both its overall budget as well as the country allocations, were lengthy and several delays were noted. At the end, the structural funds were allocated more than a third of the EU budget, accounting for more than €300 billion (2004 prices). As a result, the new regulation was adopted merely six months prior to the commencement of the new period (Council of the European Union 2006b).

The adopted Regulation clarified that the main instruments for the policy implementation were the ERDF, the ESF, and the Cohesion Fund. The Cohesion Fund was for the first time included as a tool of cohesion policy, accounting for approximately 20% of the structural funds budget. As a result, its management processes were streamlined and adjusted to the requirements of the cohesion policy principles. As such, the financing opportunities from the Cohesion Fund were to follow a programming approach. The regulation also introduced two new funds the EAFRD, which was established in the place of the EAGGF – Guidance Section and the European Fisheries Fund (EFF) in the place of the FIFG. Both, however, were distinguished from the structural funds, and are managed within the framework of the corresponding common agriculture and fisheries policies. Moreover, in an effort to integrate innovative financial engineering solutions in the cohesion policy, four new policy instruments were introduced with the aim to encourage greater participation of the private sector and make use of the EIB expertise (article 44).[38]

The revised regulation further modified the objectives of the structural funds and the eligibility criteria that would guide the new funding cycle (Table 4-6. See also Appendix IV). The main difference in the criteria of the funding objectives under the new regulation was that the funds were largely earmarked to assist the EU in meeting its Lisbon objectives. Hence, growth and employment became the main targets of the EU funds. Regions whose GDP per capita was up to 75% of the EU average qualified for funding under the convergence objective, which in fact was the continuation of the former objective 1 regions. Similarly to the previous programming periods, member states whose GNI per capital did not

[38] Four new policy instruments were established: JEREMIE (Joint European Resources for Micro to Medium Enterprises) and JESSICA (Joint European Support for Sustainable Investment in City Areas) specifically to promote innovative ventures, and JASPERS (Joint Assistance to Support Projects in European Regions) and JASMINE (Joint Action to Support Micro-finance Institutions in Europe) to offer technical assistance.

exceed 90% of the EU average were also included in this funding category, becoming eligible for support through the Cohesion Fund. Convergence regions were allocated more than 80% of the EU structural funds budget, following the pattern of previous programming periods and in compliance with the need to focus on those regions most in need. Of these funds, 70% has been allocated to the core of the convergence regions, slightly less than 25% to the Cohesion member states, and less than 4% to the transition regions (article 19).

Three objectives	**Purpose of each objective**	**Fund**
Convergence Objective	Speeding up the convergence of the least development member states and regions by improving conditions for growth and employment	ERDF, ESF, Cohesion Fund
Regional competitiveness and employment objective	(Outside the least developed regions) strengthening regions' competitiveness and attractiveness as well as employment by anticipating economic and social changes, including those linked to the opening of trade	ERDF and ESF
European territorial cooperation objective	Strengthening cross-border, transnational and interregional cooperation	ERDF

Table 4-6. *2007-13 Programming Period – Cohesion Policy objectives*

All regions not qualifying for convergence assistance were eligible for funding under the competitiveness and employment objective, which brought together previous objectives 2 and 3, as were the regions that had been in a transition status during the previous programming period. Zoning criteria based on the predominant activity (urban or rural) were abolished. The regional competitiveness objective has been allocated slightly more than 15% of the cohesion policy budget (article 20).

The third objective of territorial cooperation targeted funding specifically to those regions that are at the borders of member states in an effort to promote cross-border cooperation, building on the experience of the INTERREG community initiative of the previous programming period. Funding from this objective, which amounts to less than 3% of the structural funds budget, is additional to the funding for which the regions may qualify from the other two funding categories.

Furthermore, and drawing from past experience, the regulation provides also for the new transition categories. In a distinction from the 2000-06 programming period, transitional support is not only provided to those regions that have grown out of one category because of their growth pattern, but also to those regions of the EU-15 that were no longer eligible for funding under the convergence objective because of the statistical effect of the enlargement (Table 4-7). [39]

Phasing-out regions	EU-15 regions no longer eligible for convergence funding because their GDP exceeds the threshold of 75% GDP per capita of the EU-25 average.
Phasing-in regions	Regions that transition to the regional competitiveness objective, having earlier qualified for objective 1 funding.
Table 4-7. 2007-13 Programming period - Transitional regions	

While maintaining the key principles of the cohesion policy as these have developed over the years, the regulation introduced several changes in its effort to become both more strategic and less complicated. At the same time, acknowledging the difficulty that the Commission would have in closely monitoring so many diverse funding programmes in 27 member states, more responsibilities were transferred back to the national level, with the Commission

[39] The EU-15 countries, referred to also as the old member states, are the 15 western European countries that comprised the EU prior to the eastern enlargement that has taken place in two phases, in 2004 and in 2007.

retaining its oversight role. The formula for the level of involvement between the different levels of governance depended on the EU contribution to a programme. In other words, the administrative and controlling burden of managing and implementing would be "proportional" to the amount of expenditure allocated to an OP, introducing the principle of "proportionality" (articles 13 and 74). Furthermore, the partnership principle was broadened to include among the partners involved in all programming stages "any other appropriate body representing civil society, environmental partners, non-governmental organisations, and bodies responsible for promoting equality between men and women" (article 11).

Additionally, significant changes were also introduced in the programming and management of the structural funds. Former development plans, community support frameworks, and programming supplements were replaced by National Strategic Reference Frameworks (NSRFs). This new strategic document, which was negotiated among the Commission and the member state in accordance to the partnership principle, would determine the priorities of the new funding cycle. Moreover, in order to streamline the application of the funds across the EU, NSRFs were to be developed based on the common strategic guidelines (Council of the European Union 2006a). The guidelines attempted to balance the traditional focus of the structural funds, reinforced by the Lisbon strategy, on growth and employment and the territorial cohesion that had gained prominence. Specifically the guidelines identified three funding priorities: improvement of the attractiveness and accessibility of member states and regions; innovation, entrepreneurship, and growth of the knowledge economy; and creating more and better jobs. As in earlier programming periods, more detailed funding priorities were included in the operational programmes, which, however, rather than listing eligible measures to be funded, were required to provide funding priorities and only an indicative list of large projects (i.e., those with a budget of more than €50 million). An important change introduced in the new regulation, is the fact that each operational programme can be financed only from one fund, in an effort to concentrate further the use of the funds. The exception to this is made for the convergence regions, in which joint assistance with the Cohesion Fund is permitted (articles 32 and 33).

Recent developments

Following almost a decade of preparation the new Lisbon Treaty entered into force in December 2009. Cohesion policy remains an important priority for the European Union. In particular, article 2 outlines among the objectives of the Union the promotion of "economic, social and territorial cohesion, and solidarity among Member States." The important change introduced in the Treaty is the focus on territorial cohesion, reflected also in Title XVII. The planning of the 2007-13 programming period revealed the tension between the regional dimension and the socio-economic dimension of cohesion. Although, early on it was recognized that the regional level was the most appropriate for ensuring convergence within the EU, this was challenged, as an attempt was made to re-nationalize the policy. The Lisbon treaty has reinforced solidarity among both member states and regions. At the same time, the Treaty also emphasized the subsidiarity principle, which provides for decisions to be taken at the most appropriate level, closer to the problem at hand, strengthening the role of regional and local governments within the EU multi-level governance system. In this context, the Committee of the Regions was further upgraded and recognized as one of the EU institutions.

The 2007-13 programming period is currently past its midpoint. Hence, preparation for the new Multi-annual Financial Framework (MFF) to cover the 2014-20 period is already underway. The Commission has presented its overall MFF budget proposal, in which an outline of the future of the cohesion policy is presented (European Commission 2011c; 2011d). Perhaps, the most significant change proposed is the replacement of the NSRF with a common strategic framework that will ensure coherence, not only among the structural funds, but among all EU funds. It will be the framework under which all different policies, with their separate funding instruments, will be implemented. With this provision, cohesion funding could become a coherent "place-based" financial instrument in line with the priority of territorial cohesion.

Moreover, with the experience of the 2007-13, although not fully evaluated, signalling too much flexibility, the new funding cycle will seek to strive for greater control of expenditure. Hence, the Commission has proposed that the new funding cycle should be sealed with a partnership contract agreed upon among the Commission, member states, and regional authorities that will contain the commitment priorities to be financed. This contract will form the basis of monitoring and evaluation. In a period when fiscal discipline has become a top priority, additionality rules are expected to become more stringent, with programmes receiving EU co-funding only if specific conditions will be met.

Conditionality, could become the newest principle of the cohesion policy. Furthermore, with the immediate financial crisis in the foreground, the new programming period is intended to focus mostly on implementing the new Europe 2020 strategy. It is, therefore, expected that the objectives of the new programming period will be concentrated on a results-driven policy aimed at meeting the Europe 2020 targets and its seven flagship initiatives.

Significance of EU structural funds

The structural funds are considered one of the most significant instruments of EU policies. However, as shown from the historical overview that the previous sections presented, this was not always the case. Rather it is the result of the gradual evolution of the particular policy field as well as the European integration process itself, as the EU has grown in number of member states and evolved toward a complete economic and political union. Cohesion is the policy aim to address social and regional disparities across the continent, whether these were pre-existing or a result of the integration process (Amin and Tomaney 1995).

The effectiveness of the policy regarding the extent to which it has led to raising the standards of living in the EU by converging the development levels across different regions remains a topic of dispute and discussion among theorists of whether Europe follows a pattern of convergence or divergence, and what the influence of the integration has been (Bachtler and Tyrok 1997; Morgenroth and Petrakos 2008, 295-298; Abraham and van Rompuy 1995). The Commission on other hand claims that only during the 2000-06 programming period cohesion policy contributed to the creation of more than 1 million jobs and added as much as 10% to the GDP of objective 1 EU-15 regions (European Commission 2010c, xx). However, a distinction is needed between the long-term impact and short-term effect (Cappellen et al 2003). Moreover, the benefits of the structural funds cannot be easily assessed, because it is difficult to distinguish between outcomes of the actual transfers and other compounding factors and impacts (Begg 1997).

In fact the picture seems to be mixed and dependent on the models and the assumptions used. For example there are those who argue that there has been a gradual decline in disparities, noting, however, that they disparities persist (Molle and Boeckhout 1995; Mendes 1990; European Commission 2010b). The Commission seems to agree recognizing that "disparities remain pronounced" (European Commission 2010c, 11). Others note that while convergence is evident it is too slow and not necessarily consistent across all regions or different periods (Armstrong 1995; Fagerberg and Verspagen 1996; Neven and Gouyette 1995; Castro 2003; Martin 2003; Esposti and Busselotti, 2008, 170; Tsipouri 2005). Still others note a mixed picture, with convergence evinced among member states but divergence seen across regions (Martin 1999). While some claim that the structural funds have prevented further divergence, rather than contributed to convergence (Barry 2003a). At the same time, there are some that disqualify the contribution of the structural funds arguing that no significant impact can be traced (Boldrin and Canova 2001).

With such a mixed picture the impact of the policy is difficult to be ascertained. Nonetheless, as it has been noted cohesion is not only an economic tool, but also mostly a political tool (Boldrin and Canova 2003). Decision-makers in the EU, across member states, and among regions consider this policy significant. They have committed to its objectives, increasing its budget, broadening the scope of its funding opportunities, and highlighting their understanding that structural funds constitute a vehicle to finance key EU objectives. The 1999 regulation, for example, noted that cohesion policy was not an end in itself but also the means to attain the EU's overall objectives:

> The harmonious, balanced and sustainable development of economic activities, the development of employment and human resources, the protection and improvement of the environment, and the elimination of inequalities, and the promotion of equality between men and women (Council of the European Union. 1999b, article 1).

Being mostly a political concept, cohesion reflects underlying political objectives (Begg 1997, 675-676). Cohesion offers compensation to poorer member states agreeing to a deepening of the integration process that entails costs and the imposition of strict fiscal criteria. Furthermore, it allows for macroeconomic stability for those regions facing difficulties in their adjustment to the new conditions. Lastly, cohesion constitutes an expression of solidarity through which the benefits of integration are shared across member states. In addition, cohesion policy is perceived as the means for the EU to contribute its share to the strengthening of the European model of society (Commission of the European Communities 1996, 13). From a political perspective, therefore, cohesion policy has been successful, since it has been a tool to advance deepening of the European integration providing, the means to alleviate the pressures that economic integration and reforms entail (Farrell 2004, 942).

Moreover, cohesion policy has a strong indirect influence on member states and EU governance as a whole. Thus, there is wider added value associated with it (Bachtler and Gorzelak 2007, 317). Its core principles, additionality, concentration, programming, and partnership, have introduced a European method of policy development. Through the extension of the partnership for example, regional governments that had been excluded from the European governance system, even if not entirely prepared, became part of the multi-level governance (Bailey and De Propris 2002; Marks et al 1996). Regions interacted directly with Brussels and *vice versa*. The establishment of the advisory Committee of the Regions serves as the most symbolic evidence of this dynamic process (Magone 2003). Regional and local actors as well as other socio-economic partners have benefited from the more open and collaborative processes that the cohesion policy introduced (Bachtler and Gorzelak 2007, 318). In fact, an indirect effect of the cohesion policy has been the gradual process of devolution of power. This devolution of power is parallel to the strengthening of institutional capacity that is required in order to be able to respond to their new role (Paraskevopoulos and Leonardi 2004). Moreover, by empowering subnational actors and social partners, the policy offers opportunities for network creation and new institution-building in a way that may challenge pre-existing norms, processes, and institutions (Getimis and Paraskevopoulos 2002).

Furthermore, despite bureaucratic problems, administrative shortfalls, weak monitoring, and often inadequate evaluation mechanisms that undermine attainment of the policy objectives, these new methods and processes constitute an additional contribution of the cohesion policy (EPRC 2009c). These new methods of policy-making have challenged pre-existing planning methods and implementation processes. Despite variations in the rate of adjustment, member states and regions have adapted to the new approaches introduced by the cohesion policy (Paraskevopoulos and Leonardi 2004). Therefore, the application of the structural funds and the requirements of the cohesion policy governance system have been strong catalysts in the process of Europeanization (Paraskevopoulos and Leonardi 2004; Thielemann 2002).

Concluding remarks

This chapter provided an overview of the evolution, instruments and significance of the cohesion policy. From being instruments that did not have a clear legal basis in 1957, today the structural funds account for close to 40% of the EU budget. While the absolute size of the contribution is small, given that the EU budget is set at approximately 1% of the EU's total GDP, cohesion policy has the potential to shape the type of "development path" that the poorer regions of the EU will follow.

As will be demonstrated in the next chapter, the objectives of the cohesion policy have incorporated the concept of sustainable development and the requirement of environmental integration. Its main principles, concentration, partnership, additionality, and programming, have the potential to mobilize processes and create institutions that are relevant to the application of sustainable development. Hence, the question of the effectiveness of cohesion policy is concerned not only with respect to addressing social and regional disparities but also the extent to which the structural funds contribute to the attainment of sustainable development. The question to which the discussion turns is the extent to which the protection of the environment has been added as an important component of the cohesion policy and given comparable significance to economic and social convergence.

CHAPTER 5: COMMITTING TO SUSTAINABLE DEVELOPMENT

Sustainable development has been recognized as an overarching objective of the European Union (EU). Cohesion policy has become one of the EU's most important policies, accounting for more than a third of the EU budget. This chapter examines how cohesion policy has addressed the evolution of the EU's objectives, with respect to sustainable development, focusing especially on the environmental dimension of sustainable development. The selected environmental focus is examined for two reasons. First, as presented in Chapter 3, the environmental dimension is the weakest of the three pillars of sustainable development, and the last to be incorporated into policy. Second, economic and social convergence have been core objectives of cohesion policy since the policy's foundation. Promotion of growth and creation of jobs have been the priorities that the EU has financed in order to assist underdeveloped regions. Environmental protection and improvement constitutes a new policy priority.

This chapter explores how the cohesion policy has formally integrated the need to protect and improve the environment over the years. The following sections present an overview of the evolution of the regulations of the structural funds since 1988. The chapter concludes with a presentation of recent developments and an indication of the planning already under way for the 2014-20 programming period. The next two chapters examine the extent to which this integration has led also to a shift in the application of the funds, moving the EU onto a more sustainable path. Chapter 8 contrasts the experience of the four countries examined to the formal commitments presented in this chapter.

Pre 1988 period: the starting point

Before focusing on the post-1988 structural funds' reform period, it is worth recalling that both the environmental and cohesion policies acquired a clear legal foundation only after the adoption of the Single European Act in 1986. Until then, any related initiatives, legislative instruments, or programmes had been connected to the need to ensure the smooth operation of the internal market and the overall process of economic integration. Both policies developed largely as a result of the Commission's entrepreneurial initiative that sought to introduce supranational responses in both fields, supporting both the integration process and its own competences and role. The EU, therefore, was engaged *de facto* in both of these policy fields. The Single European Act provided *de jure* confirmation.

As mentioned in the chapter on cohesion policy, the Integrated Mediterranean Programmes (IMPs) served as a precursor to the programmes that would be financed through the structural funds post-1988. For this reason, it is worth noting that preliminary environmental provisions were already included in 1985. The IMPs offered funding opportunities for those measures that could protect the environment in connection to investments targeted at the productive sectors (Council of the European Communities 1985). For example, the IMPs could finance conversion and restructuring of agricultural holdings "to specialized lines of production and types of land use which are better suited to the prospective needs of the market, including bio-energy, forestry, and operations *to protect and improve the environment*" (Annex II, *emphasis added*). Similar provisions were included in connection with investments in the forestry and fisheries sectors.

While environmental projects were not identified as eligible for funding, other projects co-financed by the EU could contribute to the protection and improvement of the environment. Although integration of the environment was weak, it is clear that the link between promoting development objectives and protecting and improving the environment was already recognized. As noted in the chapter on sustainable development, the EU had called for environmental integration across policy fields since the 1970s. Moreover, the World Commission on Environment and Development had been convening since 1983, exploring a mutually reinforcing paradigm that would confront rapidly growing environmental concerns and respond to economic development objectives.

1988-99: introducing sustainable development

In compliance with the provisions of the Single European Act and in response to the increased regional disparities following the southern enlargement of the EU, the 1988 reform of the cohesion policy took place. As discussed in the previous chapter, the emphasis was clearly on economic convergence, with the average EU GDP per capita being the main indicator of cohesion. Due to the concurrent increase in the attention to environmental issues, the 1988 regulation provided a minimum requirement of “keeping with” the Treaty provisions and European policies and rules in such areas as environmental protection (article 7, Council of the European Communities 1988). The first regulation, therefore, attempted to adjust to the framework that Council conclusions had provided as they had declared that sustainable development would become an overriding EU objective.

Recognizing existing discrepancies in the state of the environment across different regions as well as varying ability of member states to meet growing legal environmental requirements, the Council made an early specific note of the potential contribution of the structural funds to environmental protection in 1990 (European Council 1990). In this context, the Council welcomed the Commission's regional action programme concerning the environment (ENVIREG) as a Community initiative dedicated to financing projects that related to environmental protection. Specifically, ENVIREG-financed projects related to wastewater and solid waste management in coastal areas, particularly of the Mediterranean, hazardous waste management, and coastal management (European Commission 1990). The ENVIREG's budget of approximately 580 million ECU accounted for about 10% of the Community initiatives' budget and less than 1% of the total structural funds for the 1989-93 programming period (European Commission 1989; Commission of the European Communities 1996). ENVIREG funding, with its limited focus, was additional to funds available from the core of the structural funds. The Commission, therefore, identified the environment as one of the important sectors of European relevance to which to apply a significant segment of its scarce but directly controlled resources. The Commission identified also water and waste management as two main areas toward which environmental funding would be directed.

During the 1989-93 programming period approximately 7% of the structural funds available for objective 1, 2, and 5b regions were made available as direct environment investments (Commission of the European Communities

1995).[40] Funds were mostly used to finance projects in water and wastewater management, coastal areas, and river basin protection, as well as other priorities (Commission of the European Communities 1995). Notably, these were the same categories of funding as those indentified in the ENVIREG.

With most resources directed to investments in the productive sectors and infrastructure development, it was soon recognized that EU-funded projects could have also a harmful impact on the environment. This was particularly the case with large infrastructure projects related to transport but also water management. The first programming period offered several lessons in terms of the potential impact of programmes financed by the EU that had to be taken into account during the planning of the second programming period (Coccosis 1994).

Compared to the first programming period, the 1994-99 period was implemented in a different context in terms of the EU commitments to the environment. The Maastricht Treaty of 1992 had already introduced the requirement of respecting the environment and integrating the environment across all EU policies in line with its objectives that included “sustainable growth”. As mentioned in Chapter 3, the EU committed to proceeding *towards sustainability*, as the title of the fifth Environment Action Programme (EAP) revealed. The fifth EAP acknowledged that EU co-financed projects could have both positive and negative environmental consequences. The ambivalent role of the European Regional Development Fund (ERDF) was expressly noted because of the funding

[40] As mentioned in Chapter 3 the three objectives aimed at:

- Objective 1: promoting the development of the regions whose development is lagging behind;
- Objective 2: converting regions, frontier regions or parts of regions (including employment areas and urban communities) seriously affected by industrial decline;
- Objective 5(b): promoting rural development.

priority given to interventions in the productive sectors and infrastructure that were viewed as the necessary for economic development but could entail severe environmental consequences (Commission of the European Communities 1992). While the fifth EAP took note of the Cohesion Fund, newly established at the time, as a potential additional lever for environmental protection, it especially highlighted the potential role of the ERDF. The fifth EAP stressed the need for improved coherence and integration across EU funds. In view of the 1994-99 financial period, the EAP pronounced the need for greater environmental integration, asserting that protecting and improving the environment had to be mainstreamed. The environment had to be regarded as an integral component of regional development, funded particularly through the ERDF. The focus of this study on the ERDF is further justified. The ERDF, which promotes development at the regional level, can demonstrate the extent to which commitments at the European level translate into change in the funding priorities of a particular region or country.

Given this background, the 1993 regulation provided more detailed provisions in regard to the environment than the 1989 regulation (Council of the European Communities 1993a). A Commission official interviewed noted that integration of environmental provisions allows for the directorate general responsible for the environment (DG ENVI) to push for "its" own legislation (Interview #1). Since the EU budget does not dedicate adequate funds directly to the environment, environmental integration into other funds has been the conscious choice – the carrot – to support implementation of the environmental *acquis* in contrast to the stick of legal infringements. The new programming period was estimated to contribute approximately 9% of its budget for objective 1, 2, and 5b regions to environmental investments (Commission of the European Communities 1995). The *ex-post* evaluation concluded that the 1994-99 programming period had strong environmental effects both by directly financing environmental projects, especially in water and waste management facilities, and by minimizing the environmental impact of projects co-funded by the EU (ECOTEC 2003, 126).

Indeed, while it increased direct environmental investments, the focus of the 1993 regulation was on minimizing negative environmental impact. Member states were required to provide an appraisal of the state of the environment in regions where EU co-financed projects would be implemented prior to submitting their development plans to the Commission for review. Moreover, a broad requirement to evaluate the environmental impact of the overall strategy and specific projects to be funded had to be included. The regulation placed these two new requirements in the broader framework of sustainable development as well as in the stricter framework of compliance with the legislation in force. These provisions accorded leverage to the Commission during negotiations with member states, allowing for environmental conditions to be attached prior to the approval of programmes, especially when environmental impacts were anticipated (Bradley 1999). It should be mentioned that an environmental impact assessment (EIA) directive had been adopted since 1985.[41] Most member states, however, had missed the three-year deadline to conclude the transposition of the directive, delaying the directive's implementation. Furthermore, ambiguous provisions of

[41] Council Directive 85/337/EEC of 27 June 1985 on the assessment of the effects of certain public and private projects on the environment.

the directive led to a mixed application of EIAs across member states and among different projects, necessitating a significant revision of the directive that was completed in 1997. The structural funds' regulation requirement aimed at strengthening the EIA procedure. The provision also acknowledged the potential negative impact of EU-funded projects on the environment. Moreover, the regulation specified a more involved role for environmental authorities of member states both in the drafting of the new programmes and subsequently in their implementation.

In addition to taking the first steps toward environmental integration, the 1994-99 programming period witnessed also the inauguration of the Cohesion Fund, which, although distinct from the structural funds, was expected to allocate half of its budget to environment projects in the most disadvantaged EU regions (Council of the European Communities 1993b). The fund was designed to fund the immediate needs of Greece, Ireland, Portugal, and Spain in environmental protection and particularly, with regard to water and wastewater management. The focus was on providing funding toward the implementation of investment-heavy environmental directives.

During the 1994-99 implementation period sustainability became increasingly more important across the EU. The 1997 Amsterdam treaty revisions had elevated sustainable development into a core objective of the EU. Moreover, several Council initiatives, including the Cardiff process, emphasizing the need for environmental integration were already in place. In view of preparation of the next programming period, sustainability, defined according to the Brundtland report, was viewed through a different perspective. Instead of being regarded as an impediment to the application of the structural funds, it was considered a source of new funding opportunities (Commission of the European Communities 1996, 46). Thus, the environment was viewed as an asset that could contribute to a region's investment attractiveness.

2000-06: sustainable development a horizontal priority

When the financial perspective for the 2000-06 programming was approved, the Council proclaimed that by fostering economic and social cohesion, through the policy's three new objectives[42], the EU could contribute to the attainment of

> harmonious, balanced and *sustainable* development of economic activities, the development of employment and human resources, the *protection and improvement of the environment*, the elimination of inequalities and the promotion of equality between men and women (European Council 1999a, *emphasis added*).

In other words, structural funds provided the means for the attainment of objectives that were broader than economic and social cohesion, including the protection and improvement of the environment. Although the three pillars of sustainable development can be identified in this statement, sustainable development peculiarly is linked only to economic activities. Nevertheless, because the term *sustainable* is placed next to the terms *harmonious* and *balanced,* which constituted original objectives of European integration it is

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[42] It is reminded that the 2000-06 programming period identified three funding objectives:

- Objective 1: to promote the development and structural adjustment of regions whose development is lagging behind;
- Objective 2: to support the economic and social conversion of areas facing structural difficulties;
- Objective 3: to support the adaptation and modernisation of policies and systems of education, training and employment.

safe to assume that in fact the structural funds were expected to contribute to the EU's objectives as defined in the amended 1997 treaty. However, as already discussed in the previous two chapters, the choice in language also reveals that the structural funds were linked specifically to the Treaty objectives, and the particularly to supporting the economic and monetary union.

The 1999 regulation of the structural funds reiterated the same commitment to the "harmonious, balanced and *sustainable* development of economic activities" that was noted by the Council, both in its preamble as well as in the article presenting the three new objectives of the funds (article 1, Council of the European Union 1999b, *emphasis added*). Moreover, the regulation required environmental integration both in the definition and implementation of the operations of the structural funds, in a declared commitment to ensure that the application of the funds would be consistent with EU policies (article 2). Furthermore, sustainable development and the protection of the environment were presented as grounds for the expansion of the partnership principle (article 8). In this context, "the most representative" partnership was encouraged to be undertaken at all stages of the programming – that is, in the preparation, financing, monitoring and evaluation of the programmes.

At the turn of the millennium, it was accepted that economic development supported by the structural funds and requirements for environmental protection provided by the EU *acquis* were not inherently contradictory priorities (European Commission 2001b, 93). In fact, the complementary nature of the two priorities was recognized: A healthier environment could improve quality of life and expand investment opportunities (e.g., in the tourist sector). At the outset of the third programming period, prudent management of natural resources was recognized as a pre-condition for economic development. It was also noted that higher levels of growth in a region can enhance willingness to pay for a cleaner environment.

Overall, more funding opportunities for environmental priorities were included in the 2000-06 programming period (Roberts 2001, 71). Demonstrating a measured but steady increase, compared to the previous programming periods, 10% of the allocated funds to objective 1 regions were to be directed to environmental priorities (European Commission 2001b, 136). These opportunities were primarily connected to the implementation of the environmental *acquis* including, in addition to the heavy investment directives – the drinking water, urban wastewater, and waste directives – that had been the focus of the earlier periods, other policy priorities – for example, the implementation of the nature directives (European Commission 2001b, 151). Investments that limit environmental pollution and degradation in deprived regions continued to be seen as important, especially in the Central and Eastern European (CEE) countries that were expected to join the EU (European Commission 2001b, 2).

During the implementation of the 2000-06 financial perspective several important developments with regard to sustainable development took place. These developments had a minor impact on the implementation of the third programming period, but created a new framework for the preparation of the 2007-13 period. The most important development was the adoption of the EU sustainable development strategy in 2001 and its revision in 2006. The strategy identified regional imbalances as a threat to sustainable development and urged for cohesion policy to concentrate its efforts even further to the less developed regions and those facing acute structural problems (Commission of the European Communities 2001a). Such concentration of assistance was expected to increase policy coherence, a necessary condition for sustainable development. Indeed, the insistence on the need for improved policy coherence has been reiterated on several occasions (Commission of the European Communities 2003). This emphasis has two dimensions: minimizing environmental impact and promoting environmental opportunities.

Further improvements in the environmental impact assessment process were deemed necessary. The 1999 regulation had already introduced more rigorous appraisals of the environmental situation in each region as well as a requirement to assess broadly the impact of EU-funded programmes in the context of the *ex-ante* evaluation (Roberts 2001). Impact assessments were recognized as tools that could “strengthen synergies between environmental protection and growth” within the context of the application of the structural and cohesion funds (Commission of the European Communities 2005b). The call for further improvements demonstrated the persistent inadequacy of environmental integration in cohesion policy as an impediment to the transition to sustainable development.

The review of the sustainable development strategy, however, recognized the potential positive contribution of structural funding to the promotion of specific objectives, such as climate change mitigation, and improved management of natural resources, land-use and the urban environment (Commission of the European Communities 2005b; 2005c). In view of the 2007-13 programming period, there was an implicit, and at times, explicit call for an overhaul of the funds' application in order to contribute constructively to sustainable development. The above developments – most importantly the adoption of the EU sustainable development strategy, as well as, the EU ratification of the Kyoto Protocol in 2002 – granted greater attention to environmental sustainability and climate change with regard to cohesion policy (European Commission 2010b, 18).

The potential role that structural funds and cohesion policy was further highlighted in the 2005 relaunch of the Lisbon Strategy. The European Council noted that "the financial perspective for 2007-2013 will have to provide the Union with adequate funds to carry through the Union's policies in general, including the policies that contribute to the achievement of the Lisbon priorities" (European Council 2005a). As discussed in Chapter 3, the revised Lisbon Strategy was included within the broader framework of sustainable development. Hence, in order for the Strategy's objectives to be accomplished:

> … the Union must mobilise all appropriate national and Community resources – including the cohesion policy – in the Strategy's three dimensions (economic, social and environmental) so as better to tap into their synergies in the general context of sustainable development (European Council 2005a).

Following the same spirit, in the renewed 2006 sustainable development strategy, emphasis was given on the need for "EU funding to be used and channeled in an optimum way to promote sustainable development" (Council of the European Union 2006c). The fact that cohesion policy was mentioned in this context highlights not only the potential contribution to sustainable development that structural funds can have, but also in a subtle way accepts the potential negative role they can have, urging greater attention to be paid on the need for synergy and complementarity among the different funds.

<u>2007-13: sustainable development a cohesion policy objective</u>

Influenced by the broader evolution of the environmental discourse, the regulation for the 2007-13 period particularly emphasized sustainable development. Specifically, the general regulation made the following strong statement:

> The action taken … shall be designed to strengthen the economic and social cohesion of the enlarged [EU] in order to promote the harmonious, balanced and *sustainable development* of the Community (article 3.1 Council of the European Union 2006b, *emphasis added*).

In addition, the same article provided that "by strengthening growth, competitiveness, employment and social inclusion and by protecting and improving the quality of the environment," the EU funds "shall incorporate … the Community's priorities in favour of sustainable development." The language used was clearer and more pointed than the language of the 1999 regulation. Sustainable development, in its tri-pillar dimension, was identified as a core objective of the structural funds. The commitment to sustainable development was further strengthened in article 17, which provided that:

> The objectives of the Funds shall be pursued in the framework of sustainable development and the Community promotion of the goal of protecting and improving the environment as set out in Article 6 of the Treaty (Council of the European Union 2006b).

Sustainable development was linked most significantly to the protection of the environment. Given the experience of the previous programming period, article 17 confirms that the environment has been the weakest priority of the structural funds, compared to the economic and social pillars of sustainable development. The 2007-13 programming period, therefore, attempted to address this gap by including explicit environmental provisions. For the first time, Strategic Environmental Assessments (SEA), as provided by Directive 2001/42/EC, were applied in the process of review of operational programmes submitted by member states.[43] Unlike the previous programming periods the *ex-ante* evaluation centered largely on social and economic issues, whereas the environmental issues were examined separately by the SEAs.

Due to the substantial investments in improving infrastructure in the EU-15,[44] the new programming period was expected to shift attention to "softer" environmental investments (European Commission 2007, 103). Hence, the fourth programming period has included more opportunities for investments in renewable energy, green transport, and more broadly the promotion of a green economy and a greener system of governance of the cohesion policy (European Commission 2010c, 240). At the same time, it was maintained that the new member states, especially the CEE member states, would require significant investments in environmental infrastructure.

It is worth mentioning also that, similarly to the 1999 provisions, the regulation included specific reference to the need to respect the partnership

[43] Directive 2001/42/EC of the European Parliament and of the Council of 27 June 2001 on the assessment of the effects of certain plans and programmes on the environment.

[44] The EU-15, referred to also as the old member states, are the 15 western European countries that comprised the EU prior to the 2004 enlargement.

principle within the context of promoting sustainable development (article 11). While during the first and second programming periods environmental authorities took on a more passive role, their role, was explicitly required in the 2000-06 programming period. Environmental authorities have become much more active, however, differences among countries on the level of engagement persist (Bradley 1999, 254; Lang 2007). The 2006 regulations made a further step in promoting *environmental partnership*, underscoring the need to consult, in addition to environmental authorities, other environmental actors, such as non-governmental organizations (NGOs), during the planning and implementation phases of the new programming period.

Recent developments

The review of the regulations to date demonstrates that the structural funds have been identified as a policy instrument that can support the operationalization of sustainable development by integrating environmental priorities. Since first introduced, these provisions have been strengthened, gradually elucidating the principle of sustainable development (Interview #3). As a result, the potential role of structural funds in contributing to the transition to sustainable development has been confirmed. Indicatively, cohesion policy has been identified as important in the context of the EU's road map to a low-carbon economy and its new biodiversity strategy in view of the 2014-20 programming period (European Commission 2011f; Council of the European Union 2011). During a recent webchat, organized by the directorate general for regional policy (DG REGIO) as part of consultation process on the Fifth Cohesion Report, Commissioner Hahn responded to a question on the future of sustainable development in the cohesion policy posed by this project's researcher:

> Sustainable development is a key theme of the Europe 2020 Strategy, as part of the Union's drive to achieve smart, sustainable and inclusive growth. Whether it is progress towards meeting Europe's 20/20/20 targets in reduction of climate emissions, energy efficiency and renewable energy targets or the protection of biodiversity, sustainable development is and will continue to be an integral part of cohesion policy (RegioNetwork 2020 2011).

Indeed, upon the launch of the new overarching European strategy, Europe 2020, the role of structural funds was once more highlighted, since "all policies, including the common agricultural policy and cohesion policy" are expected to support its implementation (European Council 2010b). The potential contribution of cohesion policy to sustainable development has since been further explored by the Commission. Cohesion policy is linked to the resource-efficient flagship initiative (European Commission 2011k). Specifically, the Commission has proposed that more funds should be allocated to sustainable growth, as proposed in the Europe 2020 strategy, and particularly to three selected priorities: low-carbon economy, ecosystem services and biodiversity, and eco-innovation.

In the eyes of decision-makers, cohesion policy retains the potential for a positive contribution. It is reminded that the content of cohesion constitutes a political decision. Hence, by integrating the environmental consideration in the content of the policy, the political commitment to environmental integration and sustainable development of cohesion policy is ascertained.

Concluding remarks

The review of the regulations of the EU's structural funds reveals that the language used therein has evolved, progressively integrating environmental elements. Additional and explicit environmental provisions were inserted in the regulations of each financial perspective since 1988. Initial provisions included only a requirement that EU-funded projects should be compatible with European environmental policies. Evidence demonstrated the weakness of this provision. Consequently, a requirement of environmental impact assessment was added. However, experience demonstrated that assessment of individual projects was not sufficient and that an assessment of the cumulative impact of development choices was needed. Hence, prior to their approval by the Commission, operational programmes of the fourth programming period had to undergo a strategic environmental assessment.

In addition to trying to prevent environmental degradation, regulations have expanded the breadth of projects eligible for EU funding in order to include more financing opportunities explicitly targeted at environmental protection. As opportunities were not utilized as anticipated, additional and more specific provisions as well as Commission-issued guidelines have been employed in order to increase environment-related investments. Sustainable development became a horizontal principle of the structural funds and then an overarching objective of the application of the funds.

In sum, a gradual effort has been made to design, plan, and implement EU funded programmes in line with the objective of sustainable development. The regulations confirm that the political commitment to sustainable development and the legal obligation of environmental integration, as enshrined in the Treaty, have become formally objectives to which the structural funding is required to adhere. The following two chapters examine how four countries that have been or still are main beneficiaries of the EU funds have responded to these changes. This chapter offers the background for the comparative approach to take place. A synthesis of the case studies in juxtaposition to the framework provided in this chapter is offered in Chapter 8.

CHAPTER 6: GREECE

The previous chapter presented how the structural funds regulations have adapted to the EU's commitments to sustainable development. To what extent have the European commitments trickled down to the national and regional levels? An examination of the case of the application of the EU funds in Greece, a country whose entry into the EU in the 1980s influenced the evolution of the cohesion policy and that has a long experience as a beneficiary, will guide the response. Before proceeding with the analysis of the case, a brief historical background on Greece is provided as the basis on which to evaluate the influence of the EU structural funds. This background provides the framework in which the structural funds have been applied.

Greece since World War II – brief overview

Greece emerged from World War II a devastated, poor, agrarian country.[45] While it was ethnically homogeneous, ideological and domestic political clashes led to civil war and a long period of political volatility. The immediate post-war period ended when a *coup d' état* imposed a Regime of Colonels who remained in power for a period of seven years. Democracy returned to Greece in 1974, paving the way for the Third Hellenic Republic. Following a public referendum, the newly adopted Constitution abolished the monarchy and set the foundations of a

[45] The dilapidated state of the country was not only the immediate result of World War II and the years of the German occupation, which without doubt had a heavy toll, but also the combined effect of decades of war to secure the country's vital space, the sudden flow of refugees in 1922 and the shock of the population exchange between Greece and Turkey, the internal political strife that hindered economic development, and the limited entrepreneurial outlets available. Despite an interlude of economic growth in the 1930s, the country's economy was faced with serious challenges.

durable presidential parliamentary democracy that bears almost no resemblance to the political instability of the past.

1944	Germany withdraws from Greece in November.
1944-1949	Civil war. The political instability in Greece and the possible expansion of Soviet influence to Greece and Turkey serves as the justification for the Truman Doctrine, which prescribes an active role for the US in assisting "freedom-loving" peoples and countries that would otherwise succumb to communism.
1947	Italy cedes control of the Dodecanese islands, which become part of the national territory of the Greek state.
1948	Greece is among the founding members of the Organisation for European Economic Cooperation (OEEC)
1949	Greece becomes a member of the Council of Europe
1952	Greece becomes a member of North Atlantic Treaty Organization (NATO)
1961	The Association agreement between Greece and the European Economic Community (EEC) is signed. It comes into force in 1962.
1967-1974	Following a *coup d' état* a military dictatorship of colonels is established. It is known as "the junta".
1974	A referendum is held leading to the abolishment of monarchy and following the adoption of a new Constitution the next year. The country is declared a presidential parliamentary democracy. The Third Hellenic Republic is born. The Constitution is revised in 1985, 2001 and 2008.
1975	Greece applies for membership to the EEC. Accession negotiations open the following year.
1979	Greece signs the Treaty of Accession to the European Economic Community.
1981	Greece becomes the tenth Member State of the EEC.
2001	Greece joins the Economic and Monetary Union (Eurozone) as its twelfth member.
2002	The Euro replaces the drachma as the country's currency.
2004	Athens hosts the Summer Olympic Games, known as the XXVIII Olympiad.
2009	Following national elections that lead to a change in Government, the first independent Ministry of Environment, Energy and Climate Change is founded in place of the former Ministry of Environment, Physical Planning and Public Works. Responsibility of public works is transferred to a new Ministry of Infrastructure, Transport and Networks. Greece reports a sovereign debt several times higher than that allowed under the Eurozone requirements contributing to a financial instability and severe tensions in the Eurozone sovereign-debt markets.
2010	Due to the persistence of the crisis and potential of spillover to other European countries, Greece receives financial stability support loans via the newly established European Stabilization Mechanism, a joint rescue mechanism financed by the European Commission, Eurozone member states, and the International Monetary Fund. Austerity measures are adopted. Reform of the municipal and regional structure of the country occurs, merging prefectures into larger regions. In November, the first regional elections under the new institutional structure take place.

Table 6-1. *Milestones in the history of modern Greece since World War II*

During the early years following World War II, when the camps of the two Cold War superpowers were being formed, the country's political orientation had not been settled. The fervor of the ideological clashes meant that the outcome remained uncertain for several years. Only after the end of the civil war and with American intervention was the country's western orientation confirmed.[46] Greece joined coalitions of European and western states, becoming an original member of the Organisation for European Economic Cooperation[47] in 1948 and joining the Council of Europe few months following its foundation in August 1949 and the North Atlantic Treaty Organization (NATO) a few years later.[48]

At the same time, cognizant of the early steps of European economic integration taking place among the Six, Greece submitted an application for association with the EEC in 1959, a mere two years after the signing of the Treaty of Rome. The signing of the association agreement, in 1961, solidified the country's western alignment while "legitimizing her still somewhat uncertain European identity" (Clogg 2002, 151). The agreement confirmed that Greece's economy would be linked to a capitalist rather than socialist system (Close 2002, 136). While NATO could be counted on to provide national security, contribution of American assistance and access to the European markets, via the association agreement, were perceived as the means to support the national economy. Full membership was expected in due time.

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[46] It should be remembered that political instability in Greece and the possible expansion of Soviet influence to Greece and Turkey served as the justification for what has come to be known as the Truman Doctrine, which prescribed an active role for the US in assisting free peoples and countries that would otherwise succumb to communism. President Truman outlined his doctrine in 1947.

[47] In 1960, with the adoption of the Paris Convention the Organisation for Economic Co-operation and Development (OECD) was established to succeed the Organisation for European Economic Cooperation. The OECD Convention entered into force the following year.

[48] Greece joined NATO together with Turkey in 1952, in the organization's first enlargement.

Concern for the national economy was profound as there was an urgent need for economic development. It should be remembered that even before the war, Greece had not gone through an industrialization process similar to that of other western countries. Although some industries had been established, mostly during the interwar years, they were not capable alone of reviving the national economy. Hence, the state intervened in order to find ways to quickly mobilize the economy. Efforts focused on the agriculture and extractive sectors, while new sectors such as tourism and light industry, including most importantly food and textile industries as well as shipping slowly began to show signs of growth. Despite encouraging results and noticeable growth rates, among the highest in Western Europe at the time, the economy remained weak.

Largely dependent on foreign investments, as well as foreign capacity, expertise and technology, the economy could not stand on its own. With basic infrastructure still missing and living standards low, it was difficult to maintain the rural population that was beginning to abandon the Greek countryside and the hardships life there included. In search of better opportunities, elsewhere, many Greeks chose to migrate, mostly to Germany, other European countries and more to distant places, such as Canada and Australia.[49]

Those who remained in Greece were mostly drawn to the urban centers and particularly Athens, where economic and industrial activity concentrated.[50]

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[49] It should be remembered that in the early years of the 20th century more than 15% of the Greek population, roughly 400,000 people had migrated to the United States (Wassenhoven 1984, 11). Migrating to the United States continued also in the post-World War II period but to a lesser extent. Also, especially after the construction of the Berlin wall, Germany was in need of *Gastarbeiter*, foreigners who would support the revived German industry.

[50] Wassenhoven notes that out of 266 industrial plants, that employed more than 200 workers, 147 were in the Greater Athens area, 22 were in Attica, and 24 were within its immediate sphere of

Policies already from the years following World War I that gradually transformed Greece from a rural economy to a developing industrialized country were designed in such a way that the country's capital became the center of employment opportunities and the destination of thousands of rural dwellers. Hence, at the dawn of World War II, the population of Athens had reached 1 million. The expansion of the urban center was stalled during the war and civil war years, only to be suddenly intensified again in the 1950s. It is estimated that about 250,000 internal immigrants moved to the greater Athens area during each of the five-year periods 1956-61 and 1966-71 (Wassenhoven 1984, 24). The pattern of population growth in Athens since 1950 is further illustrated in Table 6-2, which demonstrates clearly the drastic demographic changes occurring in post-war Greece. During the 1960s, the population of greater Athens grew by almost 40%, while the 1970s saw an additional population growth of 10% (Clogg 2002, 146). By 1971, the urban population accounted for more than half of the country's population.

	Athens	*Greece*
1951-1961	3.00%	0.95%
1961-1971	3.21%	0.44%

Table 6-2. *Annual percentage change of population in Athens compared to Greece as a whole* (Wassenhoven 1984, 19-20).

The Greek state was unprepared for these drastic demographic changes. The settlement of urban centers was unsystematic and largely uncoordinated, without land use or urban design planning (Tsoulouvis 1987). Immediate needs for housing, basic infrastructure and jobs for the large numbers of unemployed

influence (Wassenhoven 1984, 20). This means that over 70% of the country's major industrial base was located in or around the capital.

had to be met. The public sector tried to absorb those who were more educated, growing manifold in size. The income generated from remittances sent from Greeks living abroad and from the growing tourist sector, was mostly used for consumption and construction, especially in Athens, rather than for investments that could lead to the development of the country (Evangelides 1975). The capital became not only the economic center of the country, but also its social and cultural center (Giannias, Largovas and Manolas 1999, 49).

Not surprisingly, the first attempts to promote regional development around the country took place during the immediate post-war period in the 1950s (Konsolas, Papadaskalopoulos and Plaskovitis 2002, 1). However, regional planning that would direct investments to other parts of the country was inadequate, leading to a further concentration of economic activity in and around Athens. The few regional and development plans drafted were rarely implemented in full; rather, they served as "guides for construction projects and never in a positive sense" (Tsoulouvis 1987, 506).

In order to meet the urgent need for housing of a growing urban population, the solution of constructing few-storey apartment buildings was chosen. Given the lack of capital, a system of exchange of land for completed apartments in condominiums (*antiparochi*[51]) was instituted. Landowners would give their land to developers who, having built an apartment building, would give the original landowners a number of apartments, selling or renting the rest. The impact of this policy on the Greek economy cannot be underestimated. In fact, it set in motion the construction sector. Between 1961 and 1980, about 65% of

[51] In Greek: αντιπαροχή

investment was in construction, with housing, in particular, accounting for 40% of the gross total private investment (Clogg 2002, 146; Wassenhoven 1984, 19). Although the chosen policy provided a solution to a pressing situation, the unplanned way in which Athens developed, an example followed by smaller cities around the country, and the absence of a national regional development plan, have had lasting impacts on the future development of Greece.

The above section provides a brief overview of the state of the Greek economy in the years following World War II and before joining the European project. Greece was still in between being a developing and developed country. The economy recorded significant growth rates. The construction sector served as the backbone of the Greek economy for decades, to such an extent that "public and private investment were already so large as to make [the construction sector] a bottleneck in the economy" (Close 2002, 119). Consequently, the construction sector has been integrated into the political system, both at the local and the central levels of government (Close 2002, 52; 92). It is widely known that public works have always been a darling of politicians who promise and commission projects in order to both appease and impress voters with visible works. Greek politicians were no exception. However, due to the fact that the country was always in a shortage of funds, many promises remained unfulfilled and the actual demand for basic infrastructure that the country needed could not be easily met. While living standards rose and slight regional convergence within Greece was noted, the country continued facing significant social and regional inequalities (Giannias, Liargovas and Manolas 1997). Indicative, is the estimate that, in 1977, per capita income in Athens was 40-100% larger than that of other regions in Greece (Argyris 2001, 25).

Greece and the European Union

As mentioned earlier, Greece acquired association membership to the EU in 1962, three years following its application. This was the first association agreement that the EU concluded. The benefits of association no doubt provided a boost to the Greek economy. In particular, trade between Greece and its European partners grew significantly over the years as tariffs against Greece, by 1968, and gradually of Greece against the EEC were abolished. "By 1972, the EEC provided 55% of Greek imports and took 61% of Greek exports, whereas the corresponding figures for Greek trade with the US were only 6% and 10% and for Greek trade with Eastern Europe in 1970-1974 they were 6.6 and 17.2 respectively" (Close 2002, 136). While tariffs were abolished early on, Greece had established several non-tariff barriers to trade that necessitated structural changes in order for Greece to comply fully with the European requirements once becoming a member state.

The seven-year military dictatorship postponed Greece's progress towards integration with the EU, but Greece gained momentum immediately following the reconstitution of democracy. The argumentation put forward by the proponents of integration was largely influenced by the political turmoil that Greece had experienced. Rather than focusing on economic advantages of membership, the main arguments concentrated on political advantages, claiming that membership would strengthen and safeguard the country's democratic institutions – an assurance needed given the country's recent past. Moreover, at a time when relations with the United States (US), following the Cypriot crisis of 1974, were deteriorating, forging closer relations with Europe was perceived as a security guarantee against Turkey. Additionally, European counterparts were reminded of the history of Greece and the natural ties between its ancient past and the evolution of the Western civilization. With arguments both at the national and the European level not centering on the economy, Greece signed the Accession Treaty in 1979.

While being significantly poorer and at a lower development level than other member states, Greece entered a union of advanced economies nearing completion of the cycle of industrialization and shifting their economies towards the post-industrial era, with a focus on the tertiary sector. The timing, with the second oil crisis still unfolding, was not easy. Greece was offered the opportunity but also still had to face the challenge of becoming the tenth member of the EEC in 1981.

Without a doubt joining the EU was a momentous step in Greece's history. Membership meant modernization not only of the country's economy but also its body of law so that it would conform to Community requirements – that is, to the *acquis communautaire*. Greece not only had to adjust to the established European system, but also to follow the rapid developments and changes that were occurring, since the country's entry to the EU coincided with a period of renewed interest in the European integration process. As the European agenda has evolved, including progressively more issues, the impact of European membership has had significant implications throughout the sectors of the economy, but also in almost all policies.

During a period of euphoria, before the 2004 Olympic Games, the story of the Greek economy was described as "one of the most fascinating examples of economic progress in the history of the world" (Kariotis 2003, 240). Certainly, it is not a small feat for a country that had emerged devastated, poor, agrarian, and internally divided to transform into a modern economy in less than 50 years. Accession to the EU secured the country's transition from a developing to a developed country. However, the current economic and financial crisis in which Greece is entangled sheds doubt on whether the job is completed. Despite notable changes in the size of the Greek economy, the country was never characterized as a "tiger" economy similar to Ireland nor was Greece singled out as a model to be followed. Rather, it was the country that struggled; yet, managed to follow along. Today, 30 years since joining the EEC it has become clearer than ever that many of the structural changes that would solidify the country's status among its European peers, have yet to be met.

At the same time, these have also been the 30 most peaceful years in its modern history. During the 1990s, when the Balkans became the center of violence and conflict, Greece remained peaceful. Greece used to its political and economic advantage the fact that it was the only country in the region that was an EU member state. Acknowledging its potential as a source of foreign investment and technical expertise, Greece sought to improve economic relations with its neighbors. Despite, significant steps forward, structural institutional and historical factors weakened the potential of the realization of Greece becoming a regional leader (Monastriotis and Tsamis 2007).

Global changes at the end of the Cold War, expectedly, brought opportunities but also challenges, such as managing incoming economic refugees, which by the year 2000 had exceeded a million (Koliopoulos and Veremis, 2002, 209; Labrianidis et al 2004). "For the first time in its modern history, Greece has become attractive … to a long list of people who never before ha[d] considered Greece even as a place of transit" (Koliopoulos and Veremis, 2002, 207).[52] In a region faced with turmoil, Greece evolved into a migrant recipient country and a net investor abroad (Labrianidis et al 2004). Both of these significant economic developments could not have occurred unless Greece had transitioned into a period of political stability. Perhaps it is more accurate to argue that "for several years, economic stabilization and much needed structural reforms were sacrificed on the altar of democratic consolidation" (Tsoukalis 2003, 328).

Whichever perspective is more accurate, beyond doubt the road has not been rosy. Adjustment to the EU was not smooth, especially in regards to the country's macroeconomic outlook (Bosworth and Kollintzas 2001, 16-19). Although Greece had entered the EEC with the prospect of improving its economic status, a decade later, the economy was in serious trouble. Greece entered a long period of stagflation in the 1980s, while Greeks became familiar with austerity programs in the mid-1980s. In terms of GDP per capita, Greece was falling behind countries like Portugal and Ireland, which when entering the EEC were at either lower or similar levels of economic development (Alogoskoufis 1995). Faced with a dilemma of reform or marginalization from its European

[52] Today, in addition to immigrants from the country's immediate neighbors or broadly from Eastern Europe, immigrants come from war-torn countries such as Afghanistan, Pakistan and Somalia.

counterparts, since its poor economic performance was viewed as a threat to the overall progress in European integration, Greece entered a period of uncertain reform (Featherstone 2003). A promising change of direction occurred in the economy at the turn of the millennium, with Greece recording significant growth rates and controlling its sovereign debt. Nonetheless, while initially failing to meet the Maastricht convergence criteria, Greece joined the Eurozone as its twelfth member in 2001 – two years later than other member states. Greece had become a service-providing economy, with the tertiary sector accounting for 70% of the Greek GDP and 60% of employment in 1997 (Frangiadakis 2007, 210). While the global economy was slowing down in the early 2000s, Greece exhibited a remarkable growth rates, reaching 4% (European Commission 2004, 4).

Nonetheless, the country had to face high rates of unemployment, around 10%, which had become "an outstanding social problem" (Close 2002, 200). Many of the needed changes in the economy and public sector were opposed by special interest groups, who sought exceptions or even exclusion from required reforms. The political parties as well as individual politicians, who were supported through a clientelist system, were unable to overcome the potential political cost, yielding to different demands. The rapid change in the economy resulted in social inequalities. Not having proceeded with necessary structural changes and having weak foundations, the economy was caught in the eye of the global economic and financial crisis. By 2010, the country was faced with a significant sovereign debt and pressures from the market that made it prohibitively expensive for the country to service its debt.

Due to the persistence of the crisis, Greece requested and received financial assistance via a European Financial Stabilisation Mechanism, financed by the European Commission and the Eurozone member states, with support from the International Monetary Fund (IMF), allowing the country to service its debt in lower terms than the markets imposed (Council of the European Union 2010a; International Monetary Fund 2010). In order to avoid a potential spillover of the crisis to other countries, a broader European Stabilisation Mechanism was also established in May 2010.[53] Under an economic adjustment programme, the Greek government has once again imposed austerity measures, while committing to a series of reforms, claiming that the structural gap of the previous decades will finally be overcome (European Union 2010). In 2011, a second assistance package was agreed upon (Council of the European Union 2011d).

Greece, marked by the financial crisis, looks at its development process and wonders how it got there. When the topic for the dissertation was chosen, this crisis could not have been imagined; however, examining the extent to which Greece used the EU funds in order to enter a process of sustainable development seems even more timely.

Environmental policy

Environmental protection was not a policy priority in Greece, which meant that until the country joined the EU, its environmental law and policy were

[53] As noted in Table 1 of the chapter on conceptualizing the EU, in response to the budget crisis that the EU was faced with, a European Stabilization Mechanism was established in May 2010. The mechanism consists of two distinct components: the European Financial Stabilisation Mechanism (EFSM); and the European Financial Stability Facility (EFSF) (Council of the European Union 2010b). The current mechanism is to be replaced by a permanent European Stability Mechanism, upon its expiration in 2013 (Eurogroup 2010).

weak. Greece had followed steadily global developments, establishing its first national parks mostly in forested areas in the late 1930s and gradually broadening its national protected areas system in the 1960s and 1970s (Papageorgiou and Vogiatzakis 2006, 479-480). However, as it was not an industrialized country, Greece was not faced immediately with the environmental impacts that industrialization generates. Many natural areas remained largely untouched, especially as the countryside was abandoned in favor of urban centers. While such an observation remains broadly true to date it should be noted that the state of the environment is not adequately known since there is a lack of scientific data and reliable monitoring mechanisms.[54]

In 1975, Greece included in its post-dictatorship Constitution significant and progressive environmental provisions. In particular, the Constitution established the protection of the natural and cultural environment as "the responsibility of the State" (article 24).[55] The state was required to take both preventive and regulatory measures that ensure the conservation of the environment. The constitutional provisions reflected Greece's determination to become a legitimate member of the international community by joining contemporary global discussions, rather than a response to an emerging local environmental movement. Unlike, its western counterparts, who were faced, at the time, with increasing public pleas for protection measures, Greece aimed to assert its modern outlook and leave behind its tremulous past (Weale et al. 2000, 209).

[54] While Greece is renowned for its rich biodiversity within the EU, monitoring data is unreliable. For example, results on the status of habitats and species protected under the 1992/43/EC Habitats Directive revealed that the status of 62% of the species was unknown. The 2009 results as well as past reports based on article 17 reporting can be accessed from the European Commission website: http://ec.europa.eu/environment/nature/knowledge/rep_habitats/index_en.htm.

[55] The Constitution was amended in 2001, adding that "the protection of the environment is the responsibility of the State and the right of every citizen" (article 24).

Greece wanted to partake in the process of the growing politicization of environmental matters, exemplified most pronouncedly by the 1972 Stockholm United National Conference on the Human Environment. Similarly, following a 2001 amendment of the constitution, Greece updated further the environmental provisions and integrated sustainable development.[56] As a result, the requirement to adopt environmental measures was placed "in the framework of the sustainability principle" (article 24). Sustainable development therefore became an accepted principle as well as a legal obligation in Greece (Papadimitriou 2002).

While environmental concerns may not have featured prominently in Greek society, the Constitution reflected the growing apprehension regarding Greece's unplanned urbanization and rapid economic development. Without tools that firmly established land ownership, without clearly determined and mapped land coverage (e.g., which areas are covered by forests), and without a zoning system, vagueness surrounded the activities that could be developed in any given area. Every piece of land was potentially available for development and conversion to a built surface. The absence of such an important development framework allowed for arbitrary decisions that marked the country's post-war development. The uncertainty generated was exploited more often than not by those wishing to develop the land, allowing for subjective favoritism by a political system that was focusing on meeting its clientele's demands. However, slowly the

[56] Despite this amendment of article 24, it should be noted that during the revision process several attempts were made to weaken the environmental clauses of the Constitution. The requirement for forest protection has been consistently "threatened", as it is perceived as an obstacle to economic development, because of the land-use restrictions it generate.

environmental consequences of unplanned development and urbanization became evident in the 1970s and most significantly since the 1980s.

Thus, rules on land-use feature prominently among the Constitution's articles. Specifically, the development of a national spatial plan, establishment of a national cadastre, and development of a forest registry are included among the Constitution's provisions. Delayed progress on these provisions has been noted following the adoption of a law on spatial planning and sustainable development.[57] A general framework on spatial planning and sustainable development was finally approved in 2008.[58] However, "the word 'development' has been given much greater weight than the word 'sustainable'" (OECD 2009, 193). Therefore, despite institutional improvements, the overall conclusion remains largely the same, as economic growth has led to

> *Increased pressures on the environment*, including unplanned construction, degradation of some coastal zones and some islands, increasing air emissions from electricity generation, high material intensity and excessive use of irrigation water (OECD 2009, 15; *emphasis in original*)

Given the rapid urbanization and industrialization around Athens, the local environmental problem that first caught the attention of the public and politicians was air pollution – a case very similar to European countries in the late 1960s. In fact, Greece faced many of the same environmental problems with western countries, only with a delay of a few decades. Factors that contributed to air pollution becoming an acute problem were mainly smog from factories located in

[57] Law 2742/1999, *Official Gazette* 207/A/1999.
[58] Approval 6876/4871 by the Hellenic Parliament, *Official Gazette* 128/A/2008.

the periphery of Athens, the growing size of the car fleet, and the consequent congestion due to the poor design of the city and the lagging system of public transportation, in addition to the landscape of the city (surrounded by mountains), which trapped pollutants. In the meantime, the consequences of the abandonment of the countryside became also evident since the absence of activities interrupted the dynamic relation between humans and nature that had shaped the Greek landscape for centuries. As economic activities linked to the natural environment, such as forestry and other forest-related activities (collection of wood, animal husbandry, etc.), were slowly abandoned, forests accumulated material that served as a perfect kindling. Without proper forest management, forests became highly flammable.

Greece joined the EU at a time when the environmental *acquis* was developing into an important aspect of the integration process. Greece had to follow along. Hence, the significance of European environmental law in Greece's environmental policy cannot be emphasized enough. Indicatively between 1986 and 1994, almost 100 European legislative instruments were transposed into national law (Giannakourou 2004). Nonetheless, despite constitutional provisions, interest in environmental protection did not gain prominence immediately in national politics. Indeed, "there was little or nothing in the way of domestic environmental law or policies" that could divert the country's focus on economic development (McCormick 2001, 8).[59] Indicatively, although Greece instituted a Ministry of Land Planning and Environment in 1980, environmental

[59] For example, the environment framework law that would enact the constitutional provisions was adopted only after years of prolonged negotiations in 1986 (Law 1650/1986 *Official Gazette* 160/A/1986). Even so, the implementation of several of its provisions was delayed and some have yet, even today, to enter into force.

responsibilities remained fragmented across several ministries, weakening the potential for a coherent environmental policy to emerge (Giannakourou 2004, 53). Moreover, by the mid-1980s, when “the government reprioritized developmental over environmental concerns” the environment ministry had been merged with that of Public Works (Pridham and Konstadakopoulos 1997, 129). However, the merger should not be confused with a substantive integration. The two ministries remained separate, with minimal interdepartmental communication and only nominal coordination at the political level. Environmental protection never developed into a strategic priority for the country. In fact, the environmental services were very weak (Interview #14). Beyond doubt “the dominant policy concern in the Greek environment ministry has been its other responsibility of public works” (Weale et al. 2000, 162). Notably, engineers, in contrast to environmental scientists, dominate the country’s environmental administration (Apostolopoulou and Pantis 2009, 231).

While environmental policy was becoming an increasingly important field of European interest, for Greece economic development remained the main priority. Greece sought delays in the transposition of environmental directives, exemption from the application of new European environmental standards, and compensation to cover the cost of implementation. Without doubt this argumentation reveals that “environmental protection initiatives have always been considered as obstacles to the country’s growth efforts” (Lekakis 2000, 71). Other latecomers, such as Ireland, Spain, and Portugal, supported Greece’s arguments (Knill & Liefferink, 2007, 91; McCormick 2001, 88; Börzel 2005b, 172). With their support, derogation from the Community requirements has been consistently successful. For example, “Greece, Ireland and Portugal were allowed to increase emissions of sulphur dioxide and nitrogen oxides under the 1988 large combustion plant directive, while all other member states had to make large reductions” (McCormick 2001, 54-55). Interestingly, the country’s argumentation did not change over the years. To the contrary, with the focus shifting toward meeting new economic and monetary targets, as agreed in Maastricht, the attention paid to the environment declined (Pridham and Konstadakopoulos 1997, 131). Indeed, within the EU “bubble” reduction target of 8% agreed in order during the Kyoto climate change negotiations, Greece was granted a 25% increase of greenhouse gas emissions compared to 1990 levels. Greece was joined by the other cohesion countries in this arrangement. This “foot-dragging” attitude is reminiscent of the argumentation advanced by developing countries across the global South nowadays: A country should focus on its economic development prior to environmental protection, unless additional assistance, namely financial transfers, is provided (Börzel 2005b, 170; Weale et al. 2000, 161).

Given that the protection of the environment was viewed as a superfluous obligation, transposition of European directives was not given much thought, resulting in simple adaptations of existing legislation and titular adjustments within the public administration. With environmental concerns sidelined, the public sector responsible for issues of environmental protection has been consistently understaffed, ill-equipped, and underfunded while control and enforcement mechanisms have been weak (Weale et al. 2000, 162). Hence, Greece has been listed as an environmental “policy-taker” and a country that has formed its regulatory structure through "downloading EU directives" (Jordan et al. 2004, 145; Börzel 2005b, 171-2).

The Greek record of infringements of environmental law illustrates the country's unwillingness to properly apply legal environmental provisions. At the end of 2009, the European Commission was processing 24 open environmental infringements, while monitoring conformity to eight previous rulings of the Court of Justice of the European Union (hereafter the Court), ranking Greece third among the EU-27 (European Commission 2011h). Delayed or improper transposition, inadequate implementation of directives, and poor compliance with their provisions have led the country to the Court on numerous occasions.[60] Some of these relate to local or specific instances of violation of European law, as this was the case with the inadequate protection of the globally endangered endemic viper (*Vipera schweizeri*) on the island of Milos (C-518/04, 16 March 2004); the insufficient protection of the Messolonghi lagoon, a Ramsar Wetland of International Importance (C-166/04, 27 October 2005); and the pollution of the Thriasion Plain, Athens's major industrial zone (C-163/03, 14 April 2005). Others, however, concern broader breaches of the law. For example, Greece was convicted for its failure to provide a coherent, specific, and integrated legal regime for the protection of the Special Protection Areas for birds as provided by the Birds Directive (79/409/EC), which has been in force since Greece joined the EU (C-259/08, 15 January 2009). Similarly, Greece has been convicted for its

[60] For example since 2005, five cases concerned delayed transposition (C-368/08, 19 May 2009 regarding Directive 2004/35/EC; C-342/07, 17 January 2008 regarding Directive 2002/91/EC; C-68/04, 2 June 2005 regarding Directive 2001/81/EC and C-416/03, 27 January 2005 regarding Directive 2001/18/EC; C-61/04, 13 January 2006 regarding Directive 2000/76/EC) and one case concerned incomplete transposition (C-259/08, 15 January 2009 regarding Directive 79/409/EEC). The remaining 12 cases concerned either non-compliance with or inadequate application of provisions.

failure to manage ship-generated waste and cargo residues (C-81/07, 13 March 2008) and to dispose hazardous waste (C-268/08, 10 September 2009) in two separate cases.

While for some cases compliance with a ruling is prompt, a second ruling on the same case is not unheard of. Renowned is the case of the illegal unsanitary landfill situated in the Kouroupitos ravine a few meters from the coastline on Crete, which received untreated communal and various toxic (e.g., medical) waste, polluting the surrounding area. Following an earlier decision (C-45/91, 7 April 1992) that had ordered the closing of the dumpsite, the Court found that Greece had for a second time failed to meet its obligations under European law in 2000 (C-387/97, 4 July 2000). This led to the first imposition of a fine against a member state as a result of an environmental infringement. A daily fine of €20,000 was imposed until Greece would comply with the Court's decision, close down the site, and restore the area. The total sum that Greece paid was €4.5 million, while the restoration of the site, with financial support from the EU's structural funds, was completed almost a decade letter.

Notwithstanding this discreditable case, illegal landfills continued to operate across the country. As a result, only a few years later, Greece was convicted once more for the operation of more than 1100 illegal landfills (C-502/03, 6 October 2005). An agreed-upon deadline, between the Commission and the Greek government for the closure of all illegal landfills by December 31, 2008 has passed, as have subsequently set deadlines, rendering eminent the rumored imposition of a new daily fine of €35,000 per operating dumpsite. While progress over the years has been noted, Greece still lacks an organized system of waste management.

On the one hand, the above cases confirm Greece's environmental deficiencies. On the other, however, they underscore the important contribution of the EU in the country's policy on the protection of the environment. Hence, demands for compliance originating from Brussels are largely seen as a positive influence that can lead to a change of traditional practices (Weale et al. 2000, 164). This is reflected also in opinion polls where Greeks express preference to joint involvement of the EU and the national government to the protection of the environment, rather than their national government alone (Eurobarometer 2008). Moreover, EU environmental law serves as a "counterweight to the internal political pressures exercised on the Greek government and force[s] it to implement efficient measures to preserve nature" (Krimbas 2003, 197).

At this point, it should be noted that over the years public demand for greater environmental protection has grown. Especially in the decade between 2000 and 2010, the situation regarding interest of the environment has been impressive (Interview #14). According to the same poll, Greeks overwhelmingly (98% of those questioned) felt that environmental problems impact their daily lives (Eurobarometer 2008). While a longstanding public apathy may have allowed economic or other interests to shape the country's environmental framework, change is being noted (Apostolopoulou and Pantis 2009, 231). Despite the fact that the country's Green party (EcoGreens) has not followed the success witnessed in Germany or other European countries, public awareness has grown. In recent European, national, and local elections it has summoned enough support to be considered an influential political actor.[61] In addition, environmental non-governmental organizations (NGOs) are recognized as important policy actors, while many local ecological initiatives are gradually forming a grassroots environmental movement. Events, such as the tragic 2007 forest fires have galvanized this development. The establishment of a new Ministry of Environment, Energy and Climate, following the change in government in 2009, was to an extent a response to the public outcry on the neglect of the environment that allowed such tragic events to take place.

The minister who took office in the new Ministry arguably was the first minister since the early 1980s to "have cared about the environment, strengthening the environmental services of the Ministry" (Interview #14). As a result, the agenda of the new ministry has been ambitious, leading to several important initiatives, such as expediting the preparation of forest maps that are pending since the adoption of the Constitution in 1976. However, the financial crisis has shaken the winning party's manifesto, which placed emphasis on what it termed "green development" (PASOK 2009). In fact, there is a risk that once more economic matters will take precedence over environmental and a threat that environmental protection will be neglected. The European *acquis* serves as an important stronghold against proposals to dilute environmental standards. It remains to be seen whether the expanding financial crisis will weaken the EU's role. The messages, as seen in the previous chapters, are mixed.

[61] For example, in the 2009 European elections, the Greek Green party won one seat. In the national elections held later that year, the Green party secured 2.53% of the vote. While failing to meet the necessary 3% requirement for entry to the Parliament, the result granted the party greater legitimacy.

The cohesion policy in Greece

Upon joining the EU, Greece was faced with the prospect of financing its longstanding demand for economic development. The availability of structural funds for Europe's poorer regions meant that Greece had access to an unmatched funding source. For the first time in decades, projects could be financed and promises could materialize. This promise of economic development through the use of the funds has remained strong over the years. However, the influence of the funds has extended beyond the economic context, having significant political consequences, triggering reforms to the governance system, and introducing new processes, methods, and tools to the country's institutional and administrative structure.

To understand the effect that the structural funds had on the political and social life of Greece, it is worth recalling that the same year that Greece joined the EEC, a new socialist government won the national election, running mostly on an anti-European manifesto.[62] Accordingly, the new government attempted to renegotiate some of the terms of the country's EU membership (Koliopoulos and Veremis 2010, 163). The government submitted a memorandum to the European Council, in which it self-described Greece as a less developed country distinct from other members because of its unique economic characteristics (Greek Memorandum 1982). Outlining its own policy priorities and development plans, the Greek government criticized European declarations on promoting cohesion and expressing solidarity. Efforts to address regional and national inequalities had not borne fruit, according to the Greek government, which noted that "particularly

[62] The winning party of the election was PASOK (Panhellenic Socialist Movement).

inadequate [has been] the transfer of resources from the Community budget to the less-developed countries and especially to Greece" characteristics (Greek Memorandum 1982).

Being very direct in its demand, Greece argued that, in addition to derogation from European rules, "extension and strengthening of the Community's financial instruments" were required in order to restructure the Greek economy. Greece sought "increased Community support for specific projects for the development of sectors, branches and regions" of the country characteristics (Greek Memorandum 1982). Moreover, the Government called for a revision of the eligibility criteria for financing so as to correspond to the country's specific situation. Although funds were requested in order to finance "everything from small land-improvement projects to tourist development and the development of small industry, crafts and agro-industrial units" in the least-favoured regions of the country (islands, frontier and mountainous regions), the Greek government explicitly maintained that the two main cities of the country (Athens and Thessaloniki) should also receive European support. The case of Athens was specifically mentioned, because living conditions (i.e., environmental pollution, traffic congestion, total lack of town planning, absence of an efficient social infrastructure) in the country's capital generated a serious economic burden. Although the terms of EU membership were not altered, Greece's arguments prompted the establishment of the Integrated Mediterranean Programmes (IMPs). The 1982 memorandum is indicative of the attitude during the early years of Greece's accession, when the EU was simply regarded "as a 'donor' to satisfy Greek demands" (Axt 1997b, 100).

As mentioned in the chapter on cohesion policy, the IMPs were financed eventually in 1985, when Greece threatened to veto the accession of Portugal and Spain unless the IMPs would become fully operational. Greece implemented seven regional IMPs and one sectoral IMP that focused on information technology.[63] In many ways, the introduction of the IMP served as a "prototype of what was later to become European structural policy" (Andrikopoulou and Kafkalas 2004, 39). Following the accession of the two Iberian countries, for which economic development was equally a priority, the practice of derogations from European requirements and demands for additional funds became more common. Countries such as Greece, Spain and Portugal and much later Central and Eastern European (CEE) countries sought, and were granted, financial assistance in order to counter the probable increase of regional inequalities and structural pressures that resulted from the integration process. In an expression of solidarity towards these regions, the EU has consistently provided support to ensure economic and social cohesion across the EU.

The establishment of the Cohesion Fund in 1993 in order to finance specific needs of Greece, Ireland, Portugal, and Spain illustrates further the successful appeal of these demands on the EU. Spain took the leading role in demanding for the establishment of the Cohesion Fund. Threatening to veto the Maastricht agreement, it demanded the establishment of a financial mechanism that would support countries that faced structural difficulties in meeting the preconditions for entry to the EMU. Exemplifying a typical "latecomer's"

[63] The regional IMPs were designed by the central Ministry of the Economy because local governments were not able to make use and implement the funds available. In order to avoid losing EU funds, the Ministry of the Economy adopted this new regional approach confirming further that IMPs served as model for the OPs developed later under the structural funds (Interview #18).

behavior, Spain, Portugal, Greece, and Ireland made their approval of the extended qualified majority voting in view of the 1992 Treaty revision conditional to the creation of the Cohesion Fund, which had two main funding priorities transport infrastructure and support for the implementation of environmental provisions (Börzel 2005b, 172). Despite the dire economic situation of its economy, which weakened its negotiating influence, the Greek Government submitted its own proposals (Featherstone 2003, 926-928). Its original position for 100% EU financing, however, was deemed quickly unrealistic. A compromise was eventually reached. The four countries secured access to a new source of European investments so that the budgetary requirements imposed by Maastricht could become attainable.

As a result, however, access to the structural funds became conditional to restructuring of the economy. The second programming period was the first large development plan for Greece. While Greece secured an unprecedented level of financial support, the conditions were strict. These conditions were in line with the agreed fiscal stabilization programs. Greece was obligated to follow austere budgetary discipline that would guide the use of both national and European funds. Appropriately this requirement included in the Delors Package II, i.e. the programming period 1994-99, "could be read to some extent as a *Lex Hellas*" (Axt 1997b, 117). The same is true of the Cohesion Fund, which includes compliance with the fiscal convergence objectives as a funding eligibility criterion. Consequently, Greece realized that with a more responsible outlook, beyond access to funds, it could secure the full range of benefits being a member state can generate (Andrikopoulou and Kafkalas 2004, 46). The EU "was no longer seen merely as a 'milch cow', but became the focus of Greeks hopes and expectations" (Axt 1997b, 108). During the second programming period, Greece was "trying to regain its credibility as a reliable partner vis-à-vis the rest of the Union" (Andrikopoulou and Kafkalas 2004, 45).

With the gradual increase of EU funds flowing into the country, the early 1980s anti-European platform was abandoned and has not resurfaced (Koliopoulos and Veremis 2002, 105). The evolution of the EU cohesion policy and most importantly the increase of the size of its budget appeased critical concerns to such an extent that "European funding became the main driving force behind the process of Europeanisation" in Greece (Andrikopoulou and Kafkalas 2004, 42). As a result, Greece's national identity soon acquired an additional European dimension, in the sense that being Greek was linked to being part of the EU (Close 2002, 231). It is not surprising that by the time of the Maastricht treaty revision, Greece had become an ardent supporter of European integration (Axt 1997b).

Economic impact of structural funds

This shift in attitude can be explained given that Greece has been a main beneficiary of the structural funds. Following the 1988 reform, the whole territory of Greece qualified as an objective 1 region. Structural funds accounted for 15% of total investments in Greece during the 1994-99 programming period (European Commission 2004, 122). Illustratively, every eight drachma spent by the Greek budget originated from the structural funds in 1998 (Axt 1997a, 31). The estimated macroeconomic impact of the structural funds on the development of the country, therefore, could have been significant. Although accurate estimates are difficult to generate, an estimate of the contribution of the structural funds to Greece's economy is shown in Table 6-3.[64]

	% of GDP
1989-93	2.6
1997-99	3.0
2000-06	2.8 (revised in 2010 to 1.6)
2007-13	1.0%

Table 6-3. *Macroeconomic effects of the structural funds as a percentage of GDP* (Adjusted from data of the HERMIN model included in European Commission 2001b; 2004; 2007; 2010c)

Without diminishing the immediate effect that the flow of external funds can have on any economy, availability of funds alone will not lead necessarily to balanced development or a real improvement of living standards. To the contrary, it can deepen preexisting inequalities. Although the EU funds may have helped countries meet the growth requirements in order to join the EMU, they may lead to an unstable monetary union that will be founded on uneven ground (Syriopoulos et al. 1997, 94). Thus, the extent to which the cohesion principles of additionality, programming, and concentration are implemented can determine the economic impact of the funds.

On the one hand, the national public investments program was curtailed in order to meet the EMU criteria. The EMU requirements of strict fiscal discipline

[64] The macroeconomic impact of the structural funds is not an exact science. It is difficult to isolate the impact of the funds to the economy from other compounding factors, as well as to distinguish between immediate short effects and long-term impacts. Several economic models and various views are available in order to estimate the impact of the funds. For those consulted mostly by the European Commission see EcoMod 2007; in ´t Veld 2007; Bradley, Untiedt and Mitze 2007. For example, the estimated impact of cohesion policy expenditure on Greece's GDP in 2014 as provided by two different models (HERMIN and QUEST) that the European Commission uses ranges from 0.3% to 2.7% (European Commission 2010c, 250). Although economic theory has not provided a conclusive answer to the question, there seems to be little disagreement that an effect is noted.

led to significant reductions in the Greece's public expenditure. As a result, the country could not fully implement the principle of additionality, which aims at increasing the effective use of the funds. For Greece, the provision of complementary funding was challenging. Thus, the Community Support Framework (CSF) became the only development plan available to the country and the structural funds the most important source of funding (Getimis and Paraskevopoulos 2002; Economou 1994).

On the other hand, as noted already, Greece did not have a regional development culture. Indicatively, in the early 1980s, immediately following accession to the EU, two regional development programming documents were drafted, covering the periods 1981-85 and 1983-87 respectively in accordance with ERDF requirements. However, rather than direct the application of the funds, the plans were used to explain decisions taken *a priori* regarding the funds' allocation (Andrikopoulou and Kafkalas 2004, 38). Similarly, the IMPs were designed in a piecemeal fashion, ignoring actual local needs (Getimis and Demetropoulou 2004, 358). As discussed in the chapter on cohesion policy, Greece was not alone in the pre-1988 reform to use ERDF funding to support national objectives rather than to promote regional convergence.

Without independent development planning – another cohesion policy principle – the CSF, which is a strategic funding outlook for a given period, has covered also the country's need for strategic planning. Illustratively, during an interview a former Ministry of the Economy official asked this researcher: "Do you know of any other strategic multi-annual plan to have ever existed in the country?" (Interview #11). National Development Plans and Regional

Development Plans have been drafted only in order to prepare for the implementation of each funding cycle. While lack of planning is evident, it is not necessarily entirely premeditated. In other words, at the beginning of the preparation of a programming period, which is two or three years before its actual implementation, an attempt is made to assess needs, set priorities and design operational programmes (OPs) that will meet specific objectives. However, strategic-level documents that include Development Plans, CSFs and the National Strategic Reference Framework (NRSF) rather than outlining the country's deliberate plan to raise living standards and promote development, constitute a tactical road-map on accessing structural funds. Planning has been equated to the distribution of funds among various ministries and regions, rather than based on development needs (Interview #6). This "misuse" of the CSF has been problematic (Interview #18). The result has been that both CSFs and the NSRF have attempted to cover almost all topics and sectors, resulting in a loss in strategic orientation (Interview #11).

Structural funds offer the opportunity for programming. Instead, they have been mostly used to subsidize the national public investment programme. While in 1986 EU funds accounted for 7.1% of the national programme, this contribution had exceeded 44% by 1995 (Labrinidis, Psycharis and Kazasis 2001, 53). During the 2000-06 period, the ERDF contribution alone accounted for approximately 40% of government investment over the period (European Commission 2010b, 155). This "*de facto* dependence" on the EU funds made absorption of the funds an end in itself, with unclear results on regional and even national development (Andrikopoulou and Kafkalas 2004, 42; Close 2002, 185).

The CSFs were linked with two main indicators: implementation progress as a percentage of public payments and absorption rates (Moussouroulis 2010, 39). Hence, monitoring and evaluation throughout the implementation period has focused on the financial progress of the assistance programs, rather than on meeting overarching targets (Interview #15). However, the same is true also for the Commission, which considers absorption rate as the ultimate priority in measuring the implementation progress of the cohesion policy (Interview #6). This approach was reinforced in the May 2010 financial bailout agreement, in which higher absorption rates of structural funds were listed among the contractual obligations in response to the sovereign debt crisis (Council of the European Union 2010a). The emphasis on absorption was confirmed overwhelmingly by all individuals interviewed for the purposes of this research project. A ministry official illustratively commented:

> Have you ever heard a politician saying anything other than "Not even one Euro will be lost"? I once said that I would congratulate the politician that will establish from the beginning that "I [i.e. the politician] am willing to lose Euros and exonerate those that will lose those Euros to the extent that the choices that will be made will be the correct ones, the ones that we have chosen and those that have multiplying effects on development."… (Interview #10)

Relatively soon Greece became known as being capricious in its demands, as well as wasteful and inefficient in its use of the funds. Already since the first programming period, the impact of the funds on Greece's growth was registered as the lowest among "all EU countries with comparable development problems and programmes" (Ioannides and Petrakos 2000, 52). Similarly, at the end of the second programming period, Greece still lagged behind in terms of GDP/capita compared to other EU countries. Greece had some of the poorer regions across the

EU (European Commission 2001b, 4-7). The country's record seems to have fallen short of such expectations, with the ongoing financial crisis highlighting the country's economic and structural weaknesses. Greece continued for three consecutive programming periods to qualify only as an objective 1 region – that is, income per capita remained below 75% of the EU average.

During the early 2000s, Greece joined the EMU, while its growth rates were among the highest in the EU. Despite a seeming convergence of countries, even of Greece, it was clear that in order for convergence trends to continue structural changes were still required in Greece (European Commission 2001b, 70). In other words, there was a clear need for the country as a whole to make additional structural adjustments, with the assistance of the EU funds, in order to converge towards the EU average.

In the current 2007-13 financial perspective, Greek regions, for the first time in 20 years, qualified at different funding objectives, as shown in Table 6-4. The funds that Greece secured influenced the country's fiscal and development planning while having significant political consequences (Moussouroulis 2010, 209). Faced with these new circumstances, Greece participated actively in the negotiations on the financial perspective (Moussouroulis 2010, 207-224). Greece remains high on the list of recipient countries, being eight among the EU-27, receiving €20.4 billion. While EU funds accounted for slightly more than 1.2% of the country's GDP in 2000-06, the relative position of the cohesion policy expenditure to the country's GDP fell to less than 0.8% in the 2007-13 programming period (European Commission 2010c, 249). Greece was successful in minimizing the losses both by securing a significant allocation of funds and several derogations. For example, Greece and Portugal were the only two EU-15 countries for which the ceiling of EU co-financing for phasing-in regions was raised to 85% compared to 50% that applied to all other EU-15 countries.[65]

Convergence objective	Eastern Macedonia, Thrace, Thessaly, Epirus, Western Greece, Peloponnese, Northern Aegean, Crete
Phasing-out (i.e. statistical phasing out)	Central Macedonia, Western Macedonia, Attica
Phasing-in	Continental Greece, Southern Aegean

Table 6-4. *Programming period 2007-13 - Regions in Greece per objective eligible for structural funds*

During the current financial crisis, due to the imperative budgetary cuts in the public sector, the structural funds are regarded, once more, as the only available development tool to Greece. To support further the country's need for liquidity the national contribution to the NRSF is expected to be lowered. Consequently, the EU co-financing is expected to increase and account to as much as 95% of the NSRF's total budget (European Commission 2011b).[66] The eligibility of Greece in view of the 2014-20 programming period is unclear[67]. Nonetheless, it is expected that Greece will try to secure the maximum possible amount, using the financial crisis as an additional negotiating argument. The EU-funded programmes so far have been unable to transform the structure of the economy. Although without doubt the structural funds have the potential to contribute to the recovery of the economy, the actual development impact remains dependent on the application of such principles as planning and concentration, which are very weak in Greece.

[65] The rate applied also to the new EU-12 member states.

[66] Although initially such a scheme was aimed only at Greece, the Commission proposal has included other countries that receive balance of payments support from the EU. Specifically, this special arrangement is aimed at Greece, Ireland, Portugal, Hungary, Romania and Latvia.

[67] Depending on the baseline year that will be used to estimate GDP/capital levels, Greece may qualify under different objectives. In 2009 and 2010 GDP/capita fell significantly compared to 2008.

Territorial impact of structural funds and the evolution of regional governance

Territorial characteristics of Greece, including the mountainous character of regions such as Epirus in the west of the country; large distances that separate regions from economic centers, such as Western Macedonia and Eastern Macedonia and Thrace; and its island character challenge the country's successful economic development. As a result, Greece has advocated in favor of additional funding due to its territorial development impediments. Greece is a small country and could compare to a region in Germany or France. However, these territorial characteristics that create distinct regional development needs justified the country's division in regions, instead of the whole country qualifying as one NUTS 2 level region, which was the case for Ireland (Interview #18).

Greece acknowledged the need to address these regional disparities, having included a regional dimension in all CSFs and the present NSRF. During the 1989-93 programming period, the development of the potential of the country's regions was listed as one of the country's six priority-axes toward which the CSF was geared. Similarly, bridging regional disparities and promotion of regional development were included as strategic priorities of both the second and the third programming period. Improving the "attractiveness of Greece and the regions as places to invest, work and live: is also listed among the country's strategic objectives in the 2007-13 NSRF. Indeed, the objective of territorial cohesion has been financed mostly through the regional operational programmes (OPs). On a weak foundation of planning, Greece was faced with the implementation of the cohesion policy, with its growing demands on concentration of the funds to the regions that needed structural assistance the most.

The application of the structural funds must be placed in the context of its governance and institutional structure both at the regional and central levels. Greece is listed among the states with the most unitary systems of government across Europe, without a tradition in regional governance (Balchin et al. 1999, 63; Hooghe and Marks 2001, 196-197). Cohesion policy has supported, if not imposed, decentralization of power and strengthening of local and regional authorities. As a result, one of the most significant impacts of the EU-funded programmes in Greece has been the resulting process of institutional decentralization through the reform of sub-national governmental structures (Paraskevopoulos 1998, 43).

In order to comply with the regional requirements of cohesion policy, since 1986, the country has been undergoing a process of devolution and regionalization. In 1987, the first 13 regions were created in order to facilitate the absorption of EU funds.[68] The 13 administrative regions have been responsible for the planning, programming and coordination of regional development and for implementing the corresponding 13 regional OPs (ROP) of the CSFs as well as the seven ROPs of the NSRF. In fact the regions were established only as administrative units of the central state. The regional administration served as an extension of the central civil service and regional General Secretaries were appointed by the central Government rather than elected.

[68] Law 1622/1986, *Official Gazette* 92/A/1986; Presidential Decree 51/1987, *Official Gazette* 26/A/1987.

Since 1994, in addition to municipalities and towns, elections were held also at the level of prefectures, which were hierarchically placed between the non-elected regional authorities and the local government.[69] Until then the prefect had not been non-elected. This arrangement was the result of the insistence of the European Commission, threatening an interruption of EU funding, on the need for regional elected governments (Interview #18). The comment illustrates the influential role of the structural funds as well as the European Commission in promoting a regionalization of the cohesion policy.

The most recent round of reform at the regional level, which took place in 2010, marked a fundamental change in the country's governance. The 13 regions are recognized as being politically independent of the central government, while the head of the region is directly elected.[70] Their responsibilities of regional planning, programming, and implementation must be "in accordance to the principles of sustainable development and social cohesion, taking into account national and European policies" (article 3). However, the central public sector has maintained its reach to the regional level by establishing seven new decentralized administrations. Following regional elections held in 2010 and a transitional period, the management of ROPs has been granted to the regions in July 2011.

The brief overview of the evolution of regional governance is important since it serves as an additional explanatory factor for the persistence of regional disparities. While the territorial dimension of the structural funds was recognized

[69] Law 2218/1994, *Official Gazette* 90/A/1994. The prefectures were not granted development responsibilities, rather they had processing responsibilities that until then were undertaken at the central level. Another round of local government reform took place in 1997, mostly aimed at reducing the number of municipalities.

[70] Law 3852/2010, *Official Gazette* 87/A/2010. In addition, smaller municipalities merged into larger ones, while the prefectural level of administration was abolished.

and objectives of regional development were included in the strategic documents, ROPs were not designed in order to meet these objectives. In order to mitigate regional disparities, investments need to be allocated on the basis of regional criteria. However, the criteria used in order to disseminate funds were not based on a solid framework geared at bridging regional disparities (Georgiou 1995).

The allocation of funding toward regional OPs has until recently been consistently smaller compared to sectoral OPs that promote national policy priorities. Indicatively, during the second programming period, the 13 ROPs accounted for slightly more than 30% of the available structural funds (Ioannides and Petrakos 2000, 52). During the 2007-13 programming period, five ROPs cover larger five larger territorial units rather than the 13 regions, joining in one OP neighboring regions.[71] They collectively account for 48% of the structural funds allocated to Greece. Although an effort for coherent planning among the regions was attempted, the ROPs are clearly split into regional sub-programmes along the lines of the 13 NUTS2 regions. The ROPs were expected to contribute to all five strategic priorities of the NSRF, given the particular characteristics and comparative advantages of each territorial unit and region (Hellenic Republic 2007).

Most importantly, however, funds have concentrated in the more advanced regions in terms of development. The urban centers of Attica and Central Macedonia (Thessaloniki) were allocated almost 30% of the available budget for bridging regional disparities during the second programming period (European

[71] The strategic priorities were detailed into 17 general objectives. Unlike previous programming periods, OPs are expected to contribute directly or indirectly to more than one of the strategic priorities and general objectives.

Enterprise Organization 2003, 4–120-122). While per capita allocations were lower in the two urban centers than the remaining regions of the country, the estimates do not include investments from the 17 sectoral OPs, under the remaining four strategic objectives (infrastructure, living conditions, competitiveness and human resources), which, with the exception of rural development projects, were also mostly implemented in the two urban centers. Similarly, Athens and Thessaloniki accounted for approximately 31% of the regional development priority during the third programming period. Although the NSRF recognized that economic activity concentrated in a single region, Attica is the only region that forms on its own a territorial unit. The country's capital region accounts for 30% of the regional budget; 15% of the total structural funds; and 20% of the ERDF budget for 2007-13.

Although consistent with the 1980s demand, the designation of the country's capital and its surroundings as a beneficiary region, despite that it was the most developed region, derailed funds from other priorities (Andrikopoulou and Kafkalas 2004, 38). It should be noted that Athens remained a beneficiary of EU funding because regional inequalities were calculated only in terms of a region's GDP. Statistical and methodological adjustments, however, reveal GDP measurements that are closer to expected, confirming that the region around the capital has in fact the highest GDP than any other region of the country. Such models confirm that regional imbalances are ever-present in the country (Petrakos and Psycharis 2003). Contrary to the declared objective of cohesion, EU co-financed CSFs may have intensified the widening of the gap between Attica, the country's capital region, and the rest of the country (Caravelli and Tsionas 2011).

While recognizing these territorial impediments and aiming at addressing them, the basis of its own planning seems to ignore the country's particular characteristics. As noted in the previous sections, Greece was characterized by a weak programming culture and a lack of long-term policy-making prioritization (Syriopoulos et al. 1997, 72-73). As a result, regional disparities within Greece have persisted and may have even increased (Ioannides and Petrakos 2000; Syriopoulos et al. 1997, 73; Konsolas, Papadaskalopoulos and Plaskovitis 2002, 13; Benos and Karagiannis 2007; Caraveli and Tsionas 2011). In 2001, the European Commission noted:

> … while GDP per head does not differ much between regions in Greece, a gap has opened up in recent years between the main centres of economic activity around Athens and Thessaloniki and the rest of the country. Indeed, since the closure of land routes to the rest of the EU through the former Yugoslavia, the port and airports in Athens are the main entry and exit points for trade with the rest of the world. In consequence, the regions in the remote and mountainous interior remain the poorest in the EU mainland (European Commission 2001b, 7).

For example, the region of Continental Greece was 73% richer than the country's poorest region of Epirus in 2000 (Benos and Karagiannis 2007). Without targets and clear objectives, weak management and implementation structures, and delays in the absorption of funds meant that the second CSF also did not fulfill its objectives (European Enterprise Organization 2003; CSF Greece 2000-06). Had a more systematic approach of indicators been applied, a significantly different allocation of funds across the regions would have emerged (Georgiou 1995). Therefore, the development imbalance between the country's urban core and its rural periphery that has marked the history of the country throughout the 20th century remains.

Partnership principle and the structural funds

In order to ensure greater effectiveness in the use of the structural funds, the partnership principle has been promoted in the European regulations. Regional and local authorities are to partake in the shaping and implementation of the cohesion policy. As discussed in the chapter on cohesion policy, the partnership principle has evolved over the years to include socioeconomic partners and environmental actors. The section reviews the evolution of participatory processes in the application of the structural funds in Greece.

The structural funds comprise the main development tool available to Greece. Therefore, the availability of the funds has particular significance, not limited to their economic impact. Given the centralized structure of Greece and the limited role that regions had until 2010, the funds flow through the central government and in particularly through the Ministry of Economy.[72]

Drawing on its early experience, the objectives of the first OPs justified lists of preselected projects *a posteriori*, instead of the programme objectives determining the projects to be financed (Economou 1994). Regional development concerns have not contributed significantly to the planning of the OPs. Hence, regions had limited autonomy in setting regional development priorities and in fact were excluded from the negotiations of both the first and the second programming period (Balchin et al. 1999, 69-70; Georgiou 1995; Marks and Hooghe 2001, 101). The design and planning has been coordinated by the

[72] The ministry responsible for structural funds has been through many titles over the years. Some of which were Ministry of National Economy, Ministry of Development, Ministry of Finance and Economy, and Ministry of Economy, Competitiveness and Shipping. Irrespective of the title, the portfolio of the ministry has been economic development, hence the generic title of Ministry of Economy will be used.

Ministry of Economy, without meaningful contribution from the regions or other stakeholders. Regions, therefore, have been “largely intermediaries in the process of economic planning,” since planning was coordinated centrally (Weale et al. 2000, 213). The content of each programme, in other words, has been determined centrally by the Ministry of Economy (Interview # 10).

In spite of efforts to decentralize power during the 1990s, as discussed above, the same approach of planning was observed also in the 1994-99 period (Getimis and Paraskevopoulos 2002). It should be noted that during the third programming period, the allocation of structural funds to Greece increased compared to the second programming period by approximately one third. A total of €22.7 billion were made available to Greece through the structural funds. The third CSF was based on a National Development Plan that evaluated the impact of the 1994-99 programming period, assessed the macroeconomic situation and status of several sectors, and proposed strategic priorities for the second CSF. In order for the National Development Plan to be concluded, the Ministry of Economy issued a series of guidance documents that informed other ministries as well as regions of the need to prepare for the new programming period asking for their input The National Development Plan, despite its title, was in fact the third CSF and comprised the basis to the financial planning of the 2000-06 programming period in Greece. Hence, the drafting of the third CSF followed in Greece was “led by the national government, with regional input” (EPRC 2009c, 46). The participation of other stakeholders remained weak. Indeed, the participation of stakeholders has been restricted to the traditional socioeconomic government partners, trade unions, and business interests (GHK 2002).

Involvement of other stakeholders, including NGOs, was “ad-hoc, informal and dependent on the good will of the coordinator of each OP” (Liarikos and Nantsou 2003, 5). Due to constant intervention of the central state, local authorities and regional administrations were refused an important learning opportunity that would, plausibly, improve the planning and programming of the use of the EU funds (Getimis and Demetropoulou 2004, 356).

The preparatory phase of the 2007-13 programming period was in this respect distinct from the previous programming periods. Although the Ministry of Economy in its typical top-down approach centrally controlled the process, an unprecedented consultation during the drafting of both the NSRF and the OPs was undertaken (Hellenic Republic 2007; Moussouroulis 2010, 231-235). Allowing for flexibility, the Ministry of Economy did not intervene in the development of the outlook of its region, but insisted that regions justify proposed measures and projects on the basis of specific criteria and the development objectives that they had set. However, the Commission Guidelines and the requirement to earmark funds toward the targets of the Lisbon Strategy limited the range of projects to be included in the regional OPs (Interview #10).

At the same time, to facilitate coordination with planning at the central level, the Ministry of Economy organized coordination sessions between regional and national authorities. The approach was considered innovative since the regions that designed together a regional OP were asked to sit together at a table, while ministry representatives responsible for sectoral OPs would rotate and discuss with each group of regions on their planning priorities (Interview #11). The expected outcome of this process was that projects planned by the two levels of governments would complement each other. In reality, it ensured that regional OPs would include smaller projects (in terms of budget) that addressed specific local needs, while sectoral OPs would concentrate on larger projects that addressed national policy needs. The result was the application of a more open top-down, rather than a bottom-up approach, to regional planning.

The influence of the Ministry of the Economy in the planning of sectoral OPs has been less than that of the regions. Sectoral OPs are drafted primarily by the ministry responsible for the particular sector. Often the OPs are based on European obligations (EPRC 2009c, 47). For example, transport-related OPs[73] are required to contribute to the development of the trans-European transport networks (Interview #24). Thus, the influence of the central government has not been limited to the Ministry of the Economy. Sectoral OPs provide financing for national priorities as determined by the sectoral ministry responsible for the corresponding policy. However, given that the country does not have its own development plan and multi-annual strategic planning, the OPs also serve as the strategic documents of each ministry (Interview #6). In other words, the availability of the funds, funding eligibility criteria, and other restraints that are imposed by the regulations comprise the framework through which ministries develop their own priorities. This is particularly problematic, since strategic planning should be based on an analysis of legal obligations, targets, and needs than then, based on available sources, can be included in co-funded programmes. Inter-ministerial consultations have sought to ensure coherence within the strategic objectives. However, coordination among different ministries has been

[73] While in the past the transport was separated among different OPs, the 2007-13 programming period grouped all transport related projects under one OP on Accessibility.

weak, leading to inter-ministerial conflicts. As a result, OPs largely constitute the financial plan of each ministry, serving a variety of strategic as well as political objectives.

Moreover, while the planning of previous programming periods can be characterized only by superficial consultations with socioeconomic stakeholders that fulfilled the regulation requirements, the preparation of the NSRF has been recognized as much more substantive (Interviews #8, 14; Lang 2007, 79-83). The process of open national and regional conferences and thematic meetings as well as bilateral sessions inviting specifically social and environmental stakeholders that the Ministry of Economy organized was indeed unique. Given the regulation requirements for openness and active participation of stakeholders meetings were organized, draft documents were distributed, and websites were created. This open process, which generated all types of comments, required the Ministry to engage in dialogue and justify its positions (Interview #11). The more detailed the proposals, the greater the need for justification and explanation of the choices made. Despite weaknesses in the feedback mechanism and concerns about the transparency of the process that created frustrations among stakeholders at the time, the final text of the NSRF suggests that many of the comments submitted were included in the final text (Interview #8). "During the NSRF planning was better; hence it can be expected that implementation will be better. However, implementation always falls short of planned objectives" (Interviews #21).

The more open and participatory approach of the Ministry of Economy towards the NSRF was different from that adopted by most other ministries as they were developing sectoral OPs. To illustrate this point, during the meeting, in

November 2005 of the Monitoring Committee of the Environment OP (of the 2000-2006 period), it was pointed out that a consultation process would take place for the upcoming programming period sometime early in 2006. In the end, the consultation process was organized in March 2007 after the first draft OP on Environment and Sustainable Development had already been submitted to the European Commission for review. The only ministry to have organized a consultation on a draft document providing adequate time for commentary was the ministry responsible for drafting the OP on Competitiveness and Entrepreneurship.

While there is strong evidence to support the view of a centralized approach to planning, as discussed above, Greece is characterized by clientelist relations that shape political choices. During the first programming period, Greece experimented with a bottom-up approach that allowed local authorities to propose their own projects and in a semblance of democratic participation partake in the planning of the regional programmes (Interview #10). The result was that the funds were dispersed across many small infrastructure projects without a planning or regional development strategy (Konsolas, Papadaskalopoulos and Plaskovitis 2002, 5). Small construction projects do not necessarily entail a development dimension; hence, the overall effect on growth of the first period fell below expectations (Economou 1994). This patchwork of projects may have secured the re-election of a mayor; however, its contribution to development was weak (Interview #18).

In fact, a Ministry of Economy official noted that, aside from ensuring a similar structure of OPs, the Ministry has *never* intervened by indicating regional priorities or measures in regional OPs, which were agreed upon based on a political compromise among beneficiaries of the structural funds (Interview #9). Elected prefects and mayors, who benefit locally from the use of the funds, have had an active role in shaping the ROPs (Interview #18). The OPs, therefore, were neither based on a set of priorities for the future of the development of the character of a particular region nor selected on some sort of hierarchical basis (Interview #11). The minimum impact of the structural funds to the country's balanced development can be explained because in particular the ROPs have been designed in order to meet clientelist demands, which meant that they were funding small, unrelated, projects, without adequate planning on their usefulness (Ioannides and Petrakos 2000, 52).

The partnership principle is not limited to the planning process; rather, its application extends to the implementation phase. Accordingly, Monitoring Committees, and initially also regional councils, were established in order to oversee the implementation both of specific OPs as well as the CSF or NSRF as a whole. Participants of these committees have included the main beneficiaries of the OPs, representatives of ministries and the European Commission and various socioeconomic stakeholders. Monitoring committees have triggered the formation of formal networks (Interview #10). They have contributed in creating new *fora* for dialogue between various actors and opportunities interaction among stakeholders (Getimis and Demetropoulou 2004). Members of the committees contribute in the monitoring by submitting opinions and views while also occasionally collaborating on submitting common proposals (Interview #15). In ROPs, committee members often express the interests of informal networks as they have sought to influence the distribution of funds by proposing changes in the financial tables of the OPs (Interview #9, #24).

It should be remembered that the monitoring is largely limited to financial monitoring. Hence, monitoring committees have mostly concentrated on reviewing the progress of payments and absorption rates. As a result, discussion on details, targets, and policy objectives have been limited (Interview #15). The influence of monitoring committees, therefore, has been small and rather superficial with regard to the actual implementation of the OPs. However, for the most part, during the meetings relations and interactions have been civil, without expressed controversies (Interview #8). A management authority official noted that the most influential member of the monitoring committees is the European Commission (Interview #20). By overseeing the progress in the implementation, the European Commission intervenes in ensuring compliance with regulations, while also emphasizing the need for effective absorption of funds.

Nonetheless, monitoring committees have allowed social actors to engage in seeking implementation of particular standards or changes in practices. One of the strongest actors that emerged from the interviews have been the organizations representing people with disabilities, which have been successful in integrating accessibility standards to co-financed transport project measures. As a result of the structural funds, therefore, civil society has been strengthened. However, it was noted that the contribution of civil society is difficult. The volume of work required in order to consistently follow the implementation process is overwhelming (Interview #8). Capacity of NGOs in this respect is limited, and without support by the public institutions, they concentrate on specific aspects of each OP or the CSF and NSRF rather than actively overseeing overall implementation (Interview #8). Perhaps, this observation explains the comment of a Commission official that whereas socioeconomic partners are more active during the planning phase, they are not as vocal during the meetings of the Monitoring Committee (Interview #3).

Implementation of the OPs, however, is influenced profoundly by other the informal networks mentioned above (Interview #10). These networks comprise special interest groups that seek to influence the distribution of funds, exhibiting a typical clientelist behavior. While influential during the planning phase, they are notably more influential during the OPs' implementation. Through the interviews the composition of these networks was revealed. They comprise mostly elected officials, members of industrial or technical association and chambers of commerce, contractors, the construction industry, and the church, among others. A Commission official mentioned that politicians who visit Brussels tend to ask for projects, not realizing the programming process of the financial perspectives (Interview #1). The exact composition of these rent-seeking networks depends on the type of OPs, regional or sectoral and varies based on the sectors funded. Access to large amounts of money, through the structural funds, to a country characterized by weak institutions in the absence of close monitoring by the European Commission explains not only the ineffective use of the funds, but also the evident corruption (Interview #10). Informal, clientelist relations dominate all levels of governance, do not easily allow for the participation of other stakeholders, and undermine civil society.

Evidence suggests that the central government intervenes in the planning of the operational programmes. Central decisions influence both the priorities set by the national ministries and the allocation of the funds within the ROPs, which resemble the distribution among sectoral OPs. Regions, therefore, have had "limited autonomy" (Tsipouri 2010). The role of the Ministry of the Economy in this process is particularly strong. One main ministry determines everything and in a period of financial crisis this role is expected to become even stronger" (Interview #18). At the same time, local and parochial interests influence the funds' implementation.

Administrative impact of the structural funds

The requirements of cohesion policy has led to the establishment of several new institutions responsible for the planning and monitoring of the implementation of the CSFs and the OPs. In each financial period revisions to the institutional arrangements were introduced in order to ensure greater oversight of the implementation of the OPs. Such institutions include Management Authorities both at the level of OP and at the CSF as a whole, a Management Organization Unit, a Payment Authority, a Financial Control Authority, as well as other institutions, such as an inter-ministerial Steering Committee on Public Works. Additionally, the cohesion policy introduced new monitoring systems of programme implementation, such as a common online information system, eligibility criteria, and evaluation (*ex-ante*, mid-term, and *ex-post* as well as ongoing) processes indicators, among others. These were new processes that emerged and evolved over the years.

Revisions in the management system were often proposed by the Commission or were required by the revised structural funds' regulations. The necessity can be apprehended given that the implementation of all programming periods has begun with at least two or three years of delay. For example, during the third programming period, Greece was identified as an "extreme" case since slightly more than 20% of payments had been made by 2003 – that is, four years into the funding period – while 60% of the payments were made since 2006, i.e., at the scheduled end of the funding period (European Commission 2010b, 26-27). Since the previous programming period, extends into the new programming period, given the pressure to maximize absorption of funds the focus of authorities is mostly on closing funding responsibilities of the period under way, rather than proceeding with the implementation of a new period. Moreover, there have been instances when Greece was unable to benefit for the full amount of its allocated resources. For example, at the end of the second programming period, Greece "lost" approximate €1.1 billion which accounted for 7% of EU funds available (Moussouroulis 2010, 114).

These new institutions were introduced in compliance to regulations' requirements as well as in response to the weakness the Greek public administration had demonstrated in implementing the EU co-financed programmes. The implementation of the structural funds require specialized knowledge and technocratic approach, especially as regulation requirements of monitoring and evaluation have increased over the years (Getimis and Demetropoulou 2004). Hence, the public administration had to be modernized in order to meet these new requirements. Although the public civil service has many well-educated and highly qualified staff members, institutional barriers do not allow for them to evolve. Instead, the qualified are isolated, without being offered capacity-building opportunities (Interview #6).

Given the weaknesses of the civil service, a new administrative system was created. This new administrative system was designed initially to advise and then enhance the efficiency capacity of the new management authorities and the coordination among pre-existing administrations. In addition, the new management system was introduced in order to provide technical capacity and expertise to project beneficiaries in drafting their proposals, preparing the preliminary studies required prior to the approval of projects, and satisfying the eligibility criteria for EU financing.

On the one hand, this new system has provided guidance and has produced standards for monitoring the implementation of OPs. Issuing technical standards, providing guidance and generating prototypes of projects, these management authorities help in the implementation of the projects across the country (Interviews #19, 27). However, gaps in the management system are noted, as rather than following common standards, processes have been differentiated across similar project proposals (Interview #15). Nonetheless, it is noted that financial monitoring has been the central concern in Greece (ERPC 2009c 57). On the other hand, it has created a parallel system administration that is more efficient than the public service. As a result, "islands of public administration" have been created within the greater public administration (Interview #18). This has resulted in a tiered system of governance. "The state is centralized, bureaucratic, and incapable. It controls a large part of policy planning, and for those issues it does not control directly, it makes sure to set hurdles" (Interview #21). The efficiency, however, even of the new administration is hampered by constant interventions from the Ministry of the Economy (Interview # 30). Similar interventions are noted by ministers and general secretaries of ministries or regions among others, who may be acting on behalf of informal networks.

Regional authorities that have managed the ROPs lack expertise and capacity in implementing OPs (Tsipouri 2010, 12). Therefore, it remains unclear whether the new regional level of government is prepared to undertake its new role of managing the EU funds allocated to their regions. Several capacity building sessions have been organized in order to assist the regions in their role. Nonetheless, it was noted that in effect the same people will remain responsible for the management of the ROPs (Interview #18). In other words, existing capacity and expertise will not be lost as a result of this transfer of responsibilities, since the only change is that instead of being part of the central administration, they have been merged into the regional administration. Obscurities regarding several administrative and institutional issues, have caused implementation delays in the short term (Interview #10). Consequently, it is anticipated that the new system's impact cannot be evaluated as yet. However, in the long term it is expected to assist municipalities and regions in delivering better results. Due to the fiscal pressures that the country faces, the local and regional levels of government may perhaps finally understand that management of limited resources requires setting priorities (Interview #21).

Cohesion policy contributing to sustainable development in Greece?

Setting the framework for investments

As the examination proceeds with the application of the regulation provisions with respect to environmental integration, it is important to recognize that "Greece, Ireland, and Portugal linked their support for the single market, with its implied higher standard of environmental protection, to the issue of the cohesion funds" (Weale et al. 2000, 45). Financial assistance programmes were created specifically so as to help these countries adopt European environmental requirements (McCormick 2001, 54). In other words, the environmental funding opportunities included in the regulations were designed, among others, in order to finance the environmental needs of Greece and its counterparts.

However, as has already been mentioned, the funds were directed to more immediate economic needs while also being influenced by several local development pressures. For example, "the first Integrated Mediterranean Plan, granted to Crete, was formulated preponderantly in terms of developmental objectives, with environmental measures constituting only a fraction of the total funding" (Weale et al. 2000, 163). Recalling the discussion above, while in the early 1980s, the newly elected Greek government took on a more active environmental agenda, by 1983 "the economic ministries publicly reasserted their dominance and ensured the right to bypass the weaker Ministry of Regional Planning and the Environment, particularly in pursuing EC funds for regional development" (Stevis 1993, 89).

Another example of an irrigation project funded by the IMPs is equally illustrative. It should be remembered that the IMP regulation had recognized, however subtly, a connection between agricultural projects and environmental projects. The IMP-funded irrigation project in Lake Mikri Prespa, on the country's northwest borders, resulted in "major adverse environmental impacts" in one of Greece's 10 Ramsar Wetlands of International Importance (Maragou 2003). A 1989 mission to Greece by the Ramsar Secretariat reported that because of this EU-funded project, the lake's water level was so low that "the colonies of the two species of Pelicans that breed at Prespa [were] now accessible by foot" (Ramsar Convention 1989). The 1989 Ramsar report, while recognizing that "destructive environmental activities continue[d] being financed by the Structural Fund or IMP," also confirmed that European legislation, especially the implementation of the Birds Directive, constituted an opportunity for the conservation of Greece's wetlands as long as the European Commission's activities are coordinated (Ramsar Convention, 1989).

In such a context of planning, it has been concluded that the IMPs and the first programming period did not include aspects of sustainability (Konsolas, Papadaskalopoulos and Plaskovitis 2002, 5). During the 1989-93 period, a sectoral OP dedicated to the environment was implemented, accounting for 0.2% of the total CSF budget (Kafkalas and Andrikopoulou 2000, 42). The OP aimed at covering knowledge gaps and technological setbacks that could provide basic environmental data as a first step toward implementing environmental policies in selected areas, such as air pollution, nature conservation, and water and soil quality (Coccossis 1994, 50). In other words, it provided the opportunity to Greece to develop the necessary ground studies in order to document the state of the environment and identify its environmental investment needs. However, during the first programming period only very limited attention was given to the environment, mostly in relation to environmental management and the provision of basic environmental infrastructure. Actually, very few projects regarding waste and wastewater management were planned and even fewer were completed (Interview #6).

Moreover, projects such as the Athens metro and the promotion of natural gas were also presented as separate OPs during the 1989-93 period (Kafkalas and Andrikopoulou 2000, 42). These large infrastructure projects, although serving other purposes, namely transport and energy have an environmental component, reducing greenhouse gas emissions and promoting cleaner transportation and energy alternatives.

Regional OPs also included environmental funding opportunities. As noted already, the first programming period was largely unsuccessful in promoting regional development as it was mostly used to finance haphazard local demands for projects, rather than elements of a local or regional development plan. Within this context, the limited environmental funds available were used to finance mostly environmental infrastructure projects. Such projects, particularly wastewater treatment facilities, while contributing to a reduction in pollution, also serve the parochial local interests, since they offer visible results to local communities, which are important for elected officials interested in ensuring their positions. The regions lacked the tools, such as data and methods, and procedures, including inadequate representation in monitoring committees, to evaluate both environmental needs and impacts. As a result, the impact of the ROPs was of “limited operational and funding scope” (Coccosis 1994, 50).

During the 1989-93 financial perspective, the European Commission initiated the ENVIREG Community Initiative. Through this instrument, funding targeted mostly coastal areas, in an effort to reduce pollution and promote land use planning. Commissioner Millan, on the occasion of the approval of the Greek programme, commented on the interlinkage and complementarity between the ENVIREG and the Environment OP mentioning that they "reflect the Community priorities and strategy for the protection of environment and socio-economic development in the regions concerned" (European Commission, 1991). Almost a decade later, however, spatial planning studies that had been co-financed by the EU during this first programming period had not been implemented, which means that EU funds had not contributed in any practical way to the improvement of planning practices across Greece's regions. One should bear in mind that investments of the CSF were taking place in the absence of a spatial plan and without the necessary tools to guide the site selection of investments. As a result, in parts of the country such as the Cycladic islands, environmental, development and economic problems not only remained unresolved, but also were "in fact worsening, while land development [increased] apace," as was noted in a written question to the Commission by a late Member of the European Parliament in 2000 (Papayannakis 2000). The ENVIREG programme financed mostly drinking water and waste water infrastructure, as well as waste management (Coccossis 1994, 50).

One project stands out during this early period of cohesion policy implementation in Greece. The Acheloos river diversion reveals the dominant attitude of the time as well as of the wind of change that was gradually blowing across the EU. The roots of the project date back to the 1920s, when large civil engineering projects, such as the Hoover Dam, were being built in the United States. The objective has been to divert the Acheloos River, which flows along Western Greece, to the plain of Thessaly, in Eastern Greece, "bring[ing] together two of Greece's most important natural resources … for the benefit of the national economy" (WWF 2007, 17). Actually, the project is an inter-basin water transfer through the Pindos mountain range. For the greatest part of the 20th century, Greece lacked the funds to materialize this colossal project. With the entry of the country into the EU and the availability of EU funds, the realization of the long-promised project seemed possible.

Subsidized by the Common Agricultural Policy (CAP) based on crop output, farmers in Thessaly applied unsustainable practices to increase their crop yield. As a result, the demand for water in the region increased. Structural funds were identified as the most appropriate funding source for the construction of five dams and several tunnels, the longest of which being 17 km, in a complex water project that would transfer 1.5 billion m^3 of water from Acheloos to Thessaly (Hadjibiros 2004). Through the IMPs, Greece secured initial funding for the first dam. In addition, Greece included Acheloos diversion as a separate OP during the first programming period. Its budget was 10 times larger than that of the Environment OP, accounting for 2.5% of the total budget available for the 1989-93 period (Kafkalas and Andrikopoulou 2000, 43).

The timing of the proposed project coincided with a series of changes in the EU prioritization that complicated the realization of the diversion. The EU initiated a gradual reform of the CAP in order to delink agricultural support from crop yields. Consequently, the European Commission was hesitant to fund a major irrigation project (Hadjibiros 2004). Given these changes at the European level, the Greek Government promptly adjusted the project's objective, emphasizing the hydropower dimension of the project. As a result, it succeeded in securing EU financing for the project (Maier 1999, 45-48). However, this was a period when cohesion policy began to take note of the environmental impact of the application of the structural funds. The Acheloos diversion became the testing ground of this policy priority.

A period of negotiations ensued between the Greek government and the Commission, which was questioning both the feasibility of the project and the reliability of the environmental impact assessments. At the same time, the expected environmental, social, and economic impact of the project led to a wide mobilization that extended beyond national borders (Efthimiopoulos, Tsantilis and Hadjibiros 1999). A coalition of NGOs[74] launched a public campaign demanding its cancellation in 1992. More than 320,000 signatures against the diversion were collected from across Europe and delivered to the June 1994 European Council, which happened to meet on the island of Corfu in Greece.[75] Highlighting the financial contribution of the EU, it was publicized that EU funds were supporting projects that could degrade the environment.

Greece had already tried to reduce the size of the project and provide evidence of minimum impact. In a case that the NGOs brought to the Greek Council of State, it was ruled that the environmental impact assessment

[74] The NGOs were WWF Greece, Hellenic Society for the Protection of the Environment and Cultural Heritage, the Hellenic Ornithological Society, the Hellenic Society for the Protection of Nature, and Nea Oikologia.
[75] Greece was holding the Presidency of the European Council at the time.

requirements had been bypassed by "slicing" the diversion in smaller projects, minimizing the cumulative impact of the diversion (Efthimiopoulos, Tsantilis and Hadjibiros 1999). At the same time, violations of competition rules led to a cancellation of the tender for the selection of the contractors. In such a tense climate, the European Commission decided to cancel the project's financing. The funds that had been allocated to several of the sub-projects of the Acheloos diversion through the first CSF were never absorbed. A second Acheloos OP was proposed in view of the second financial period; however, it was not approved (Efthimiopoulos, Tsantilis and Hadjibiros 1999, 29).[76]

The decision to decline EU funds from an eligible member state is particularly significant not only as a momentous victory of the young environmental movement in Greece, but also as a landmark for the application of the structural funds in Greece and for the implementation of cohesion policy across the EU. Although the decision of the Greek constitutional court was catalytic, it is clear that prior to the NGO involvement, the European Commission exerted pressure on Greece. It was recognized that EU-funded projects either targeted to either specific sectors or regional development could have considerable impacts on the environment. The case of the Acheloos diversion was the first that resulted in EU financing of a project to be declined on the grounds of environmental impact. The case triggered greater insistence on environmental impact assessments of projects co-financed by the EU.

[76] Greece has remained committed to completing the project ever since. Despite several decisions of the country's State Council ruling against the continuation of the project, the objective of completing has not faded. Despite delays, the works have continued for more than 20 years. The construction of several dams and the tunnels has progressed with funding drawn from national resources. In 2009, the Council of State referred the case to the European Court of Justice for a preliminary ruling on the interpretation of several EU directives. The decision is pending. However, once delivered it will be binding on the Greek Council of State.

The Acheloos diversion was a particular case, but also serves a symbol of an era, allowing a deeper understanding of the development priorities in Greece at the time. Since the mid-1980s, the focus was on financing large infrastructure projects bypassing environmental standards and submitting inadequate environmental impact studies (Stevis 1993, 90). It should be noted that the first Greek environmental framework law (Law 1650/1986) introduced an environmental permit system that required environmental impact assessments. However, implementation was patchy and substandard until a ministerial decision in 1990 specified the implementation procedures and transposed, with significant delay, the provisions of the European environmental impact assessment directive (85/337/EEC) (Aggelidis 1995). As a result, the national legal framework was not attentive to environmental requirements. Moreover, environmental monitoring and control on behalf of the European Commission were limited during the early years of the cohesion policy. Consequently, several projects led to largely avoidable damage to the environment, possibly "defeating the ultimate purpose which they are supposed to be fulfilling, which is an improved quality of life for all in the long term" (Close 2002, 186). Hence, the decision by the EU not to finance the Acheloos project served as an important lesson in Greece.

This section reviewed the early application of the funds. Given that this was a learning period, the focus now turns to the second programming period. Greece together with Ireland and Portugal were the countries to receive the most significant share of the available structural funds during the 1994-99 programming period (ECOTEC 2003, 74). The decisions taken in view of and during the 1994-99 programming period have influenced the allocation of the funds in Greece ever since. Many of the projects that were not concluded during the programming period were rolled over to the next programming period, triggering a cycle of dependence (NDP Greece 2000). Decisions taken in the early 1990s influenced the planning even of the 2007-13 programming period. Many of the individuals interviewed for this research projects noted that commitments from the previous programming periods did not allow for flexibility in planning the next periods. Such observations question the extent to which the evolution of the regulations in terms of environmental integration agreed upon at the European level may influence an actual implementation of the OPs at the national and regional levels. Hence, while it was noted already in the previous chapter that sustainable development was not an influential component of the 1994-99 programming, a closer examination of the funding priorities and choices in Greece is considered essential (ECOTEC 2003, 126). For each of the following sections, therefore, the starting point is the second programming period, recognizing the early years of the implementation of the structural funds, presented in the previous section, as important background.

Setting objectives and funding allocation

As mentioned above, the environment had been included in Greek programming documents and OPs, already since the first programming period and has remained an important component of all strategic documents. Although environmental protection or sustainable development have not been listed among the country's strategic priorities as listed in Table 6-5, environmental concerns have been linked to quality of life. Since 1994, a sectoral OP dedicated to the environment has been implemented while a stated effort to integrate the environment across sectoral and regional OPs is also provided. The second period was designed in order to promote the country’s economic development and meet the EMU requirements (European Enterprise Organization 2003, 4-113). In this context, the environment was an overarching priority. The CSF was structured around five thematic priorities as presented in table 6-5 and can be codified as: Infrastructure, Living Conditions, Competitiveness, Human Resources, and regional disparities. Environmental protection was considered as one of the elements, together with urban development, health and welfare that could contribute to the improvement of living conditions.

	Strategic priorities	Operational Programmes
1994-99 CSF	Reduction of peripherality and promotion of internal integration through the development of large infrastructure	Road axes and accessibility Railways Communications Energy Natural Gas
	Improvement of living conditions	Urban development Health and Welfare Environment Tourism and Culture
	Development and competitiveness of the economy	Agriculture Fisheries Industry and Services Research and Development Education and Initial Training
	Development of human capital and promotion of employment	Continuous Training Combating Exclusion from the Labour Market
	Reduction of regional disparities and offset exclusion of island regions	Modernization of Public Administration 13 Regional
2000-06 CSF	Development of human resources and employment promotion	Education and Initial Vocational Training Employment and Vocational Training
	Development of transport system	Roads, Ports, Urban Development Railways, Airports, Urban Transport
	Enhancing competitiveness for sustainable development	Competitiveness Agricultural Development and Rural
	Rural development and fisheries	Rehabilitation Fisheries
	Quality of life	Culture Environment Health and Welfare

	Information Society Regional Development	Information Society 13 Regional
2007-13 NSRF	Investment in the productive sector Knowledge society and innovation Employment and social cohesion Institutional environment Attractiveness of Greece and the regions as places to invest, work and live	Competitiveness and Entrepreneurship Human resources development Education and Lifelong Learning Improvement of Accessibility Environment Sustainable Development Improvement of Public Administration Efficiency Digital Convergence 5 Regional

Table 6-5. *Structure of the Greek CSFs and NSRF in the three programming periods from 1994 to 2013.*

The allocation of the EU structural funds during the second programming period in Greece compared to the overall European allocation is presented in Table 6-6. It is clearly illustrated that more than 45% of the allocated funds in Greece were allocated to infrastructure investments. The productive sectors – that is, investments in industry as well as in rural development and fisheries – accounted for a third of the budget, while development of the country's human capital, through education and training, was allocated less than 25% of the budget.

During the second programming period, Greece provided funds dedicated specifically to the environment and its protection. Direct contributions environmental investments from the cohesion policy were estimated at around 4.4% of the total CSF budget. This fraction is almost half of the EU average at the time and in between the other three cohesion countries, as Ireland invested slightly more than 1% of its funding allocation, whereas Spain invested over 11% of its available structural funds budget (Commission of the European Communities 1995). A separate Environment OP was implemented, accounting for slightly more than 2% of the available structural funds (European Enterprise Organization 2003). Compared to the previous programming period, this constitutes a substantial increase, even if it remains a small fraction of the total. It is worth noting that the Cohesion Fund environmental budget was almost double that of the funds available through the CSF (i.e., the sectoral Environment OP and the various interventions from the ROPs). Environmental projects funded by the Cohesion Fund were the most successful in being completed (ECORYS 2005, 50). In addition, environmental interventions were undertaken through the ROPs.

	Greece		EU	
Productive environment	4219	30.2%	46573	41%
Human Resources	3287	23.5%	27844	24.5%
Infrastructure	6406	45.8%	33882	29.8%
Transport	3999	28.6%	17857	15.7%
Environment	622	4.4%	8524	7.5%
Energy	865	6.2%	2568	2.3%
Other (health and social, telecommunications)	919	6.6%	3645	3.3%
TOTAL	13980		113540	

Table 6-6. *Programming period 1994-99, distribution of structural funds in (MECU, 1994 prices) (Adjusted from European Enterprise Organization 2003, 4-111)*

Focusing on promoting structural changes, the country's strategy for the 2000-06 period aimed at the sustainable growth of the country, as well as economic convergence with the EU. The reference to sustainable *growth* is reflective of the language used by the Commission at the time, and the 1999 regulation provisions. Greece's integration to the EMU, the structural challenges the Greek economy faced at the time, and the challenge of globalization, comprised the overall framework of the third CSF's implementation. *Economic*, rather than sustainable, growth and convergence measured in terms of GDP per capita compared to the EU average was the main strategic priority of the 2000-06 programming period.

The National Development Plan established six main priorities for the 2000-06 funding period: 1) development of human resources, 2) basic infrastructure, 3) productive sector, 4) improvement of the quality of life, 5) information society, and 6) regional development. These priorities set the foundation for the structure of the CSF since the priorities, as shown in Table 6-5, are almost identical. The main difference was that priority relating to productive sectors was separated in two objectives, one focusing on competitiveness in such sectors as small and medium enterprises, tourism, and industry and the other focusing on rural development and fisheries. The structure, however, of the third CSF is similar to that of the second CSF demonstrating that the programme constituted a continuation of the previous programming period. As already noted, proposals for new priorities or measures were limited by the fact that commitments made in the second CSF had not been completed and were rolled over to the new programming period. It should also be remembered that because of the slow implementation of the previous CSF, the planning of the second programming period was undertaken during the period (1998-99) when the second CSF was only becoming fully operational.

During the 3rd programming period, the number of sectoral operational programmes was slightly lower, but the funding priorities remained similar. Indeed, infrastructure investments dominated the third programming period even more so than the second programming period, as they accounted for more than half (56.5%) of the total investments (European Commission 2004, 182). Additional investments in infrastructure were made also from the Cohesion Fund, increasing therefore even more the contribution of the EU funds to the infrastructure endowment of the country.

Compared to the second programming period, the environment was given greater importance during the 2000-06 funding period. Environmental interventions continued being linked mostly to quality of life priority (Hellenic Republic 2001). In fact the development plan noted that by focusing on growth and economic progress, improvements in quality of life would follow and contribute to a cleaner environment. Such an approach confirms the traditional approach of Greece, which focused first and foremost on its economic growth, and that the environment is only a secondary priority. Nonetheless ensuring progress in the environmental sector was identified as a priority both in the National Development Plan and in the third CSF. During the 2000-06 period, due to the requirements of the EU regulations, more attention was paid to compliance with EU environmental legislation (Paraskevopoulos, 2008, 129). Hence, funds were allocated for environmental investments. Based on the initial funding plan of the third CSF, approximately 4% of EU funds were expected to contribute to environment and water investments (Hellenic Republic 2001). Environmental funding was concentrated in the sectoral Environment OP, while environmental investments were also integrated into most sectoral and regional OP.

The structure of the NSRF was distinct from those of previous programming periods, mostly because of the smaller number of OPs that were expected to contribute to the five overarching objectives. These broad strategic objectives were detailed in a set of 17 general objectives (Hellenic Republic 2007). Greater emphasis was attached to economic concerns, as investments in the productive sector, including investments to encourage foreign direct investments, develop entrepreneurship and competitiveness, and modernize physical infrastructure were recognized as priorities. Another important component of the NSRF objectives were linked to the Lisbon priorities of innovation and the knowledge society. Influenced by the employment emphasis of the Lisbon agenda, the social dimension appears stronger than the environmental one (Interview #5). Given the specific ESF funding opportunities as well as the Lisbon earmarking requirement, these priorities are given greater prominence among the NSRF objectives compared to environmental ones. Maintaining the trend of previous programming periods, the environment is attached to the improved living conditions. The environment was identified as important under the strategic objective of improving the attractiveness of the country and the regions. Three objectives detailed the connection: secure energy supply, based on sustainability; sustainable management of the environment; and effective implementation of environmental policy. However, the environment was given greater importance than in previous programming periods. Moreover, "environmental convergence" of Greece with its European partners was identified as a central aim of the 2007-13 period.

A review of the financing of the 2007-13 period is based only on projections, drawn from indicative allocations and negotiation results as presented by the Commission (European Commission 2008). The figures, however, are not exact, since broad themes are presented, to which more than one measure can contribute. An important difference in terms of estimates for comparative purposes to previous programming periods is that the infrastructure category is missing. From the available data, Greece seems to consistently devote approximately 30% of its ERDF allocation on transport. The figure on the environment is more than 20%; however, the figure includes both direct and indirect spending, and does not distinguish between environmental infrastructure investment and other environmental activities. During the 2007-13 programming period a sectoral OP entitled Environment and Sustainable Development was implemented. Its budget is almost three times as large as the environment OP of the 2000-06 programming period. However, a note of caution is needed since the OP contains also the funds dedicated to the environment from the Cohesion Fund, which is seven times as large as the ERDF contribution. The ERDF allocation to the Environment and Sustainable Development OP is slightly more than 2% of the funds dedicated only to convergence regions. While during the third CSF there was only few environmental interventions in some sectoral or regional OPs, beyond those provided by the Environment OP, the NSRF attempted to integrate the environment horizontally across OPs (Interview #5). Nonetheless, it is anticipated that in the next programming period, depending on the resources available, a greater level of integration will be attained.

The above overview was generated by examining the text of the strategic documents and the funding allocation tables. The interviews confirmed that the overall objectives included in the texts create a framework of implementation (Interview #9). Despite consistent planning gaps that characterize the country as a whole, rather than only the environmental sectors, progress has been made. Indeed, the environmental has been gradually integrated in cohesion policy planning in Greece (Interview #13). In every programming period the environment has been raised in importance and been slowly integrated across sectors.

However, implementation is mostly based on the OPs provisions, rather than on the CSF or NSRF, since it is based on the selection of the projects rather than on the objectives identified. Sustainable development, it was noted, has not been integrated in the implementation of the OPs (Interview #6). For example, while Greece prepared a Sustainable Development Strategy, the strategy has not guided policy choices (Interview #5). Poor planning and an inadequate process of setting priorities have led to the particular choice of projects (Interview #27, #13). As a result, environmental provisions have been mostly included in the environmental OPs; environmental permits serve as the main environmental criterion of financing eligibility not contributing, however, to a change in the design of projects. Reviewing the broad and overall spending allocation, the trends are strikingly similar since 1994, with infrastructure, particularly transport infrastructure, accounting for the lion's share of EU spending. Hence, it is necessary to examine in more detail environment investments as well as the infrastructure priority.

Direct environmental investments

Compared to the first CSF, more funds were dedicated to the environment. During the three following periods, a separate Environment OP was implemented, serving mostly the requirements of the Ministry of the Environment (Interview #11). Integration of environmental priorities to other OPs has been stronger in the ROPs, depending on the statutory responsibilities of the regions, while only gradual in the sectoral OP. Arguably, the second programming period initiated the implementation of European environmental law in Greece. Funds were allocated to the strengthening of environmental institutions in Greece, including the establishment of the National Centre for Environment and Sustainable Development. This new institution was expected to serve as a national environmental think tank to support the country's environmental policy and implementation capacity (Giannakourou 2004, 54). Despite a promising support, lack of funding and political support has suspended its operation. Another important institution that was developed was the Environment Inspectorate.

The 1994-99 period offered an important opportunity for a meaningful contribution to the protection of Greece's environment as well as its development, as a decision was made to include the development of the national cadastre in the projects to be financed under the Environment OP. The absence of such a tool, as well as of a spatial plan, as noted already, has led to unplanned development in the country. Hence, the structural funds could have contributed by providing a useful tool to Greece, that was missing since the establishment of the modern Greek state, financial mismanagement, led to the project's cancellation (European Enterprise Organization 2003). As a result, Greece "lost" more than €1 billion of its allocated funding (Moussouroulis 2010, 116). The cadastre has since gradually been implemented with European financing under the third CSF and the NSRF.

Environmental projects, however, were mostly targeted at environmental management within economic production, or pollution management projects, rather than environmental protection projects (Liarikos 2004). The main funding priority was the implementation of the water, wastewater, and waste-related directives. A choice by the Commission was made to finance projects that would promote implementation of the “investment-heavy” directives, such as the urban waste water directive (Interview #16). As a result, most investments were directed to environmental infrastructure. In addition, these projects are important as they contribute to the protection of water and coastal and marine environment (Interview #19). These investments were a response to Greece’s lack of the necessary facilities to comply with the European legal standards. In other words, had it not been for a clearly mentioned requirement to finance such projects, Greece would have preferred to use the funds in order to promote its economic growth and to satisfy parochial local demands (Interview #7). An analysis of the ROPs also indicated the following categories of projects as listed under environmental interventions – anti-flooding measures, drinking water and sewerage pipelines, wastewater treatment plants, and aqueducts – followed by a broad category of other environmental projects (Kafkalas and Andrikopoulou 2000, 41). The expectation was that the with the support of the structural funds, the population having access to waste water systems would reach 71%, doubling the number of towns between 1993 and 1999 (Commission of the European Communities 1996, 101).

However, it should be noted that planning during this early period was weak. As a result, waste-water treatment plants were financed without provision of a sewage network. As one official mentioned “many such tragedies have taken place” (Interview #21). In response to this a Commission official noted that initially networks were not eligible for funding; hence, such situations were found across objective 1 countries. This was a “common sense error” and has since been rectified as only integrated projects are currently eligible for EU funding (Interview #28). Nonetheless, it demonstrates absence of planning both at the European and national levels, while revealing the lack of commitment to actual implementation of the directives. Had commitment been sincere, one would expect that the necessary network would have been financed and constructed prior to or in conjunction with the facility.

Wastewater facilities have remained an important priority both during the third CSF and during the NSRF. The Environment OP of the 2000-06 programming period accounted for slightly more than 3% of the available ERDF financing for the 2000-06 period. “This was a very small programme, of only €400 million” compared to the 2007-13 programme (Interview #5). Regional OPs during the 2000-06 programming period dedicated more than half (53.1%) of the available environmental allocations to environmental infrastructure projects, including drinking water, wastewater, and other waste-related projects. Moreover, 25% of the Environment OP was directed to water management that included drinking water and wastewater infrastructure (Ministry of the Environment, Energy and Climate Change 2009).

Additionally, drinking water and wastewater projects were also funded through the Cohesion Fund (RGL Forensics 2011). Unlike transport projects, with the exception of few large projects, the Cohesion Fund also supported small projects, of local or regional significance, building wastewater management facilities. One large environmental infrastructure project is worth mentioning: the construction of an advanced waste management treatment facility on the island of Psitalia, to serve Athens, the country’s capital which until the mid-1980s did not have proper wastewater facilities, resulting in sea pollution. With the support of structural funds, a primary level treatment plant was built and then extended to secondary treatment, with clear environmental benefits to the Saronic Gulf (Interview #22, #30).

The Cohesion Fund accounts for the largest share of the Environment and Sustainable Development OP during the 2007-13 programming period. More than half of the available environmental budget of the Cohesion Fund is targeted at a small number of large drinking, water and wastewater management facilities. This is not based on actual needs but is reflective of the attitude of the Ministry of the Environment, Physical Planning and Public Works, which gave priority to such infrastructure projects (Interview #27). This type of thinking has since been considered antiquated while also resulting in inter-ministerial conflicts with the Ministry of Economy during the NSRF preparation (Interview #5).

Moreover, while wastewater projects have been consistently promoted by the Ministry of the Environment, several implementation efforts ensued. As confirmed by many individuals interviewed, many, if not most, of the wastewater treatment facilities have yet to become operational. There are several explanations for this situation. First, planning of these facilities was imposed top-down (Interview #8). Hence, there was no capacity to operate these new facilities. As someone illustratively mentioned "these projects are not automatic, like a refrigerator; you cannot plug them and they just work. They require constant oversight" (Interview #29). Second, old technologies have been used, rendering them unusable today or in need of upgrading (Interview #19). Third, and perhaps more important, they were not planned in order to function. They were "politically approved" in order to ensure absorption of funds and in order for politicians and local authorities to show that works are being implemented (Interview # 19). Finally, many of the projects were built in larger dimensions than required, so it is impossible to reach the necessary capacity for viable operation. This is a typical example of rent-seeking behavior, involving consultants that undertake preparatory studies and contractors, especially from the construction industry (Interview #19). Indeed, while in the 1980s there was a lack of technical capacity in building such projects, now the construction industry has become specialized (Interview #7). Once the construction industry learned to complete such environmental projects, the demand and pressure for these projects increased (Interview #14). Nonetheless, the situation is also illustrative of the poor planning, arbitrary management, unreliable monitoring, and weak evaluation that has characterized the implementation of the structural funds.

Nonetheless, because results and environmental improvements of a facility that is operational are visible, they continue being preferred over other priorities, including other environmental infrastructure projects (Interview #13; #21). Therefore, wastewater projects have consistently remained a top funding priority both of the sectoral Environment OP as well as ROPs during the third programming period. At the same time, as mentioned in earlier sections of this chapter, the country is faced with open infringements due to inappropriate application of the relevant directive. In fact, the continued emphasis on these projects is a result of delays in implementing directives, and important needs remain and need to be met (Interviews #20, #27). At the end of the second programming period, gaps still remained as for example primary treatment of waste water was the main feature in 2001 (ADE 2009a, 16). As a result, the dedication of funds to this priority during the 2000-06 period was once more justified. In addition, eastern Attica is still (2011) not connected to a central sewage system, while also many rural regions, smaller towns, coastal areas, and islands have only primary treatment of wastewater necessitating additional investments (Interview #22, #21).

While environmental infrastructure has remained a major priority, Greece, as indicated already, faces a major challenge in waste management. Therefore, over the years a significant segment of the funds has been dedicated to this sector. The obligation to close illegal landfills is non-negotiable. Especially following the 2001 Kouroupitos conviction, it is largely incomprehensible that such illegal landfills continue to operate, commented a managing authority official (Interview #20). Nonetheless, since they exist, it becomes a priority to close them down and dedicate funds to waste management. Solid waste management projects that mostly concerned the establishment of sanitary landfills accounted for 30% of the Cohesion Fund budget during the 2000-06 programming period (RGL Forensics 2011). Despite legal requirements, however, unlike the wastewater priority, these are not preferred projects, with many delays in their implementation, mostly as a result of the "not in my backyard" (NIMBY) syndrome. These projects create social reactions, despite providing useful environmental infrastructure (Interview #21). The requirement of such a disposal method is antiquated, since more recent European directives, set waste reduction, recycling, and reuse as top priorities. Nonetheless, funding has been allocated mostly to disposal, rather than to other waste management solutions (Interview #29). As a result, waste management remains a priority and the top concern across almost all individuals interviewed.

While water, wastewater, and waste management projects account for the largest share of environmental funding allocation since 1994, a few other direct investments are also worth examining. During the second programming period, urban centers and particularly Athens due to acute environmental pollution they were facing were given greater priority (Konsolas, Papadaskalopoulos and Plaskovitis 2002, 5). Pollution problems, as already discussed early in this chapter, became evident in the 1980s and 1990s, rendering interventions necessary. Such projects included an air pollution monitoring system in Athens and a programme aimed at reducing fuel contribution to air pollution (European Enterprise Organization 2003, 4-150). In addition, the Urban Development OP was almost entirely dedicated to the development of a subway in the country's two main cities, Athens and Thessaloniki. By the end of the programming period, while parts of the Athens metro were completed, the Thessaloniki metro had not been started (European Enterprise Organization 2003). To date, Thessaloniki has yet to acquire such urban transport infrastructure, while the project has been included in the Environment and Sustainable Development OP of the 2007-13 programming period. Although urban transport projects have environmental benefits and indeed reduce pollution and greenhouse gas emissions, and improve quality of life they continue to be mostly transport projects that also have environmental benefits, rather than environmental projects.

During the 2000-06 programming period, as mentioned ROPs, included environmental funding investments. Among the ROPs, those in Crete and the

Southern Aegean islands; dedicated most funds to environmental actions, reaching 34% and 27% of their total budget, respectively. Hence, when examining the environmental interventions of the Crete OP, it is revealed that 67% of environmental ERDF allocation was geared toward the built environment, 27% to environmental infrastructure, and 0% to nature-related projects. The Southern Aegean OP gave precedence to environmental management (61%), second to the built environment (37%), and allocated 1% of the environment ERDF funding to nature. The region with the highest percentage of allocation to funding, Western Greece, allocated slightly less than 3% of its environmental ERDF budget. Following the commitment to water infrastructure mentioned already above, the second largest category (35.9%) of ERDF environmental funding directed to ROPs related to interventions in the built environment, which in fact were urban regeneration projects. The remaining funds were distributed across other priorities. Indicative investments in nature protection were below 1% (0.9%) (Ministry of the Environment, Energy and Climate Change 2009).

The high concentration of funds in urban regeneration projects can be largely explained on grounds similar to those rent-seeking reasons that promote wastewater infrastructure projects. These projects mostly entail reshaping of pavements, public spaces, and squares. As such they are preferred projects, both at the regional and national levels. Three distinct examples to illustrate the point, both from the third programming period, are provided. First, according to evidence provided by a Ministry of the Economy official, the *ex ante* evaluation of the Attica OP identified the environment as a matter of top priority (Interview #9). However, in terms of intensity of funding, the environment fell into the fourth place, following other priorities, such as water infrastructure, urban regeneration or training, and capacity-building programs. The particular choice was not the result of ignorance on the environmental needs of the capital. Rather, they are the product of a synthetic process reflective of the local demands that influence political decisions.

The second example is drawn from the consistent attempt since 2003 of the Ministry of Environment, Physical Planning and Public Works to reform the Environment OP and particularly to redirect funds away from nature investments and toward urban regeneration projections. Only with the intervention of NGOs and the support of the European Commission, for example, were approximately €50 million channeled to the management bodies of the country's protected areas (Interview #3). The policy of the Ministry was particularly problematic, especially as 25 of them were established by law only in 2002, during the extension period of the 1994-99 period, under the pressure of losing additional EU funds. The third programming period would support the start-up of these management bodies, setting foundations for important environmental institutions in the country. The significance of securing these funds was particularly important, given that nature protection is largely dependent on EU funds, since the national budget commits very limited funding to such priorities (WWF 2006).

While nature protection seems to have received a significant fraction of the available funding (25%) of the Environment OP, a qualifying comment is necessary. These funds were not dedicated to the above-mentioned 27 management bodies, but rather directed to one project, the restoration of Lake Karla. Situated in Thessaly, it was an important wetland that was drained in

1960s. Through the structural funds a project for its restoration has been initiated. While such projects are important, the project is presented as an environmental project to restore a degraded wetland, whereas in reality the project has the dual objective of providing drinking water to the town of Volos (Interview #3). In fact, an additional irrigation component of the project seems to have been silenced. In this respect and given the particular emphasis to these services of the wetland, the project could also qualify as a water management project rather than a nature conservation project. Nonetheless, the Commission continues to perceive it as a nature conservation project, insisting on the proper implementation of obligation as it has been rolled over to the NSRF.

The “battle” that was taking place in the Monitoring Committee is illustrative of the approach of the environmental ministry at the time (Interview #5). The emphasis on public works linked to the construction industry and to the clientelist networks was in fact profound. Moreover, the emphasis on urban regeneration reveals that commitment to meeting EU directives does not constitute an overwhelming priority. These projects are not based on a specific directive. Instead, they are easy projects that serve multiple purposes. Nature conservation projects, as the Lake Karla restoration project indicates are long, difficult, and expensive projects. As such they are avoided. As noted repeatedly during interviews, easy projects that do not require additional technical knowledge or expert capacity are preferred. Beneficiaries have the capacity to implement them, while authorities can easily manage and monitor them. Projects that are easier will mature faster and be eligible for funding, run smoothly and support the absorption objective. Although several steps have been taken to improve the management and oversight of the programmes, it is clear that the main concern of each funding cycle remains the same: high absorption rates. As a result, civil servants – without proper guidance – have been hesitant to initiate and support projects that require “new expertise or initiative of unaccustomed kinds,” including projects aimed at environmental protection (Close 2002, 185). The conclusion seems to apply not only to Greece, but also broadly to Cohesion countries and the NSRFs across the EU (European Commission 2010b, 204).

During the NSRF, approximately €100 million have been allocated for projects that promote compliance with environmental legislation, in particular the implementation of the Natura 2000 network through the effective management of protected areas. During the 2007-13 programming period, the Commission applied for the first time the principle of integration, which provides that environmental – and more specifically nature protection – priorities should be funded by the structural funds rather than through a specific environment-tailored fund, such as Life which had so far guaranteed considerable environmental funding. To assist Member-States to make use of available funding opportunities for their protected areas from a broad spectrum of structural funding opportunities, the European Commission published a useful handbook, which was compiled by WWF and the Institute for European Environmental Policy (IEEP) (Miller and Kettunen 2007). While almost all Greek sectoral and regional OPs make reference to this document and include tables on the ways that funds could be allocated for these provisions, the allocated funds dedicated to financing the protection of the rich Greek biodiversity cannot be considered adequate. The delays in the implementation and payments of this funding priority have once more been considerable. Consequently, it is highly likely that Greece will not be able to be in compliance with EU's Habitat and Bird Directives. In fact, the Environment OP was noted for its delays in absorbing funds on numerous occasions (Interviews #20, #21, #19, #5). Because of these low absorption rates and with the threat of losing funds in 2010, the Athens metro was added to the projects funded from the Environment and Sustainable Development OP, transferred from the Attica OP (Interview #20).

It is clear that the Environment OP has gathered the greatest share of environmental funds available from the structural funds. Environmental investments drawn from other OPs remained coordinated by the central ministry, confirming that environmental spending is more centralized in Greece compared to other European countries (European Commission 2010c, 182). At the same time, ROPs, as mentioned, have included limited environmental interventions. However, sectoral OPs have gradually integrated environmental concerns. This has been more evident in the two most recent programming periods.

Indicatively, the 2000-06 OP under the competiveness strategic priority was entitled Enhancing Competitiveness *for Sustainable Development* (emphasis added). It included funding incentives for small and medium enterprises (SME) to invest in environment-friendly products as well as energy investments and particularly, natural gas investments and interventions related to renewable energy sources and energy efficiency. "The inclusion of environmental concerns within purely economic OPs should be deemed as a very positive development" (Liarikos and Nantsou 2003, 11). At the end of the programming period, environmental interventions accounted for slightly more than 11% of the total OP budget (Ministry of the Environment, Energy and Climate Change 2009). Similarly, during the 2007-13 programming period, the Competitiveness OP, with its emphasis on renewable energy, energy efficiency, and climate change is expected to contribute to environmental integration. In fact, during the 2007-13 programming, almost all OPs, even those funded by the European Social Fund, include an environmental dimension (Interview #5).

Furthermore, Greece was one of the few countries, during the 2000-06 period, to use the Cohesion Fund to finance other environmental interventions, such as the protection and upgrading of the Thessaloniki suburban forest (Seih-Sou), forest protection and the creation of the National Database of Hydrological & Meteorological information (RGL Forensics 2011). However, it is not clear why priority was given to these specific projects, since the Cohesion Fund was project-based.

As a result, it can be concluded that although nominal and rhetorical commitments to sustainable development are made, and the need for environmental integration is highlighted, one environment OP seems to concentrate environmental investments. Of the different funding opportunities offered by the structural funds, Greece has chosen to invest heavily in environmental infrastructure. However, the effectiveness of the use of funds is questioned given the open infringements process and Court convictions on exactly the same directives toward the implementation of which investments are geared. The following section reviews investment in transport and transport infrastructure as the other infrastructure counterweight to which funds have been allocated.

Allocation of funds to transport

The dedication of funds to physical infrastructure, and particularly to transport, was noted across Objective 1 countries during the 1994-99 period, due to the recognized gaps that existed in the EU periphery (ECOTEC 2003). Transport infrastructure, as shown in Table 6-6, which included investments in roads, ports, airports, railway, as well as urban transport systems, accounted for almost a third of the total EU contribution to the second CSF, and more than 60% of the infrastructure budget. Transport infrastructure was financed through three separate OPs: Road Axes and Accessibility, which was allocated 54% of the transport budget; Rail Network, which was allocated 13%; and Urban Development, which was allocated 33% (European Enterprise Organization 2003, 9-147).

Transport remained an important investment priority during the 2000-06 period, accounting for more than 60% of the ERDF funding and contributing to the reduction of regional transport endowment disparities (European Commission 2010b, 76; 82). The importance of the ERDF funding is demonstrated further given that it accounted for almost a third of national public expenditure in transport (European Commission 2010b, 80). In addition to two sectoral OPs, the transport sector was supported also through smaller projects included in ROPs, receiving funds from the ERDF. The Roads, Ports and Urban Development OP accounted for almost 70% of the transport investments, with the remaining funds were allocated to the Railways, Airports and Urban Transport OP.

Similarly, the Improvement of Accessibility OP has the largest budget, with EU co-financing reaching €3.7 billion during the 2007-13 programming period. The Cohesion Fund contribution (€2.1 billion) to the OP is significantly larger than the ERDF contribution (€1.6 billion). The size of the budget of the transport related OPs has been overwhelming over the years. It was noted that the Accessibility OP has such large projects because these projects are investment heavy, expensive, difficult projects, with significant budgets, even if in number they are only a few (Interview #24). Separate project budgets are comparable to one or two ROPs (Interview #24). In addition to the centrally managed Accessibility OP, transport networks have been consistently supported by the ROPs in order to cover local transport needs.

It should be noted that transport infrastructure, similarly to environment infrastructure, has been financed also by the Cohesion Fund since 1994. The Cohesion Fund allocated close to 60% of its available funding to transport investments during the 2000-06 period (RGL Forencsics 2011). This allocation seems to contradict the stated commitment of Greek authorities to provide comparable assistance to the two priorities of the Cohesion Fund, i.e., environment and transport (Interviews #24, #22).

The decision to promote transport infrastructure was in line with Greece's requirement to develop the segments of the trans-European transport networks (TEN-T) located in the country's territory.[77] These included both a motorway and

[77] The list of priority projects in view of the completion of trans-European networks is revised periodically. Hence, the list of project eligible for funding may change depending on the agreement reached. In Greece, when the second programming period was implemented, the Trans-European networks concerned two motorways: PATHE: Rio-Atnirio-Patras-Athens-Thessaloniki-Promahon (Greek/Bulgarian border) and Via Egnatia: Igoumenitsa - Thessaloniki - Alexandroupolis - Ormenio (Greek/Bulgarian border) - Kipi (Greek/Turkish border). Since then, the projects have been joined into one project that links Greece to Bulgaria and Hungary. The motorway has, therefore, several branches and its completion is separated into smaller projects.
Similarly, since the eastern enlargement the railway axis connecting Athens to Thessaloniki has also been extended and is expected to reach Sofia and Budapest, connect to Vienna, Prague and reach Nuremberg/Dresden.

a railway connecting the three largest port cities of the country (Patras-Athens-Thessaloniki) and the Egnatia motorway, which connects western Greece to its Turkish borders across the country's north. While these projects were financed mostly by the Cohesion Fund, as provided in the fund's regulation, ERDF funding was channeled to creating the surrounding network and providing supplementary public works required, while also financing particular segments of the axes. The completion of these projects was split into few projects that were named and listed in agreement with the Commission, which approved directly the Cohesion Fund projects (Interview #22). The requirement to complete these works has dominated transport investments in Greece since the mid-1990s (Interviews #22, #24, #11). Indeed, funding from the two transport OPs of the 2000-06 programming period, as well as the Accessibility OP of the 2007-13 programming is directed almost entirely to the completion of these major projects.

Transport investments have included motorways and roads, railway projects, a suburban rail project around Athens, several ports and ports improvement, and airports and urban transport projects, including the Athens and Thessaloniki metro, upgrades of buses, the construction of a tramway in Athens, and several bike routes, among others. An important note regarding the metro is important. The experience of the first programming period has been consistently repeated with respect to the construction of the Thessaloniki metro. While the Athens Metro has advanced, the construction of the Thessaloniki Metro has been largely static. The Athens Metro has received funding from various OP since the first and the second programming periods. During the 2000-06 period, it was funded mostly by the Roads, Ports and Urban Development OP through ERDF funding. Specific mention is made since this one urban transport project ranks the particular OP second following the sectoral Environment OP in terms of its environmental investments in the 2000-06 programming, with an allocation of 15.34% of the total funding available to the OP, i.e., including national contribution (Ministry of Environment, Energy and Climate Change 2009). The Athens Metro comprised the sole environmental contribution of the OP to air quality protection. This confirms the observation that this OP does not finance environmental projects (Interview #24). In fact, the Athens Metro, one project with a long life cycle was repeatedly mentioned in interviews as a demonstration of the integration of the environment in the structural funds, i.e. including both ERDF and Cohesion Fund. There is no doubt that the Athens Metro has made an important contribution to the densely populated city of Athens, in terms of reducing traffic congestion and pollution (European Commission – 4th Cohesion 2007, 101). However, it remains only one example and cannot counter the weight that has been given to road development, including in the region of Attica. As discussed already, since 2010 it has been listed under the environment and sustainable development OP in order to secure the OP's absorption objective. The Thessaloniki metro, which can help alleviate some of the transport-related urban environmental problems of the second largest Greek city has also been included under the Environment and Sustainable Development OP. It is, therefore, not included in the budget of the OP on improving accessibility which concentrates the greatest share of EU funding. Additional funds from the ROP of Macedonia and Thrace are also expected to support the project's implementation.

Rather, almost 60% of the €3.7 billion budget of the Improving Accessibility OP is allocated to road infrastructure projects, a percentage that should be juxtaposed to 19% of the EU funds to be used for railroad infrastructure and to less than 1% dedicated to the environmental management of transport networks. Greece has consistently directed most of the transport infrastructure projects to motorway and road development. Similarly, 10 out of the 20 transport projects planned during the 2000-06 programming period were road transport projects. Although Cohesion Fund projects are expected to fund projects of European significance, "it is unclear whether these [… road projects] form part of a TEN-T network" (RGL Forensics 2011, 109-110). Indeed, it has been argued that during the 2000-06 programming period many new road projects were proposed – additional to those already in the pipeline since the second programming period. One Greek official mentioned that funding directed to roads may have been beyond the needs of the country (Interview #24).

Despite the fact that the academic debate on the contribution of road transport infrastructure to economic development remains inconclusive, road transport projects were particularly promoted within cohesion policy. Indeed, it was noted that transport policy is of comparable importance and priority to the environmental strategies in the European Union and as a funding priority (Interview #24). Indeed, the Commission noted that while Greece did not have motorways in 1988, the density of motorways increased to 17% of the EU average within a decade (European Commission 2001b, 49). Motorway density is used as an indicator to measure progress of cohesion and convergence. As a result of structural investments during the first two funding periods and, particularly the

1994-99 period, “the length of motorways has increased drastically,” mainly by converting existing roads to motorways (European Enterprise Organization 2003, 4-77). Length of motorways is another indicator of the effectiveness of the structural funds.

In contrast, rail density remained static, with few investments in track upgrading, while the electrification of the lines did not progress. In fact, the Railways OP was not successful in meeting its targets (European Enterprise Organization 2003, 9-148). The geomorphology of the country and other technical problems, such as the incompatibility of old and newer lines, have constituted an important delaying factor of implementation (Interviews #21, 22).

Nonetheless, most interviews confirmed the Commission’s conclusion regarding “lack of interest in developing the railways” (European Commission 2001b, 50). Historical reasons, going back several decades and most certainly to the post-World War II years, when the public works investments were directed to road development, socio-cultural parameters and most significantly political choices of supporting the road construction explain this development (Interview #24, 11). This is particularly true since the road industry has developed the capacity needed in building tunnels and whatever other technical solution would be needed in order to overcome the challenges imposed by the geomorphology of the country. As a result, the decision of promoting roads over railways and trains is a clear example of the mentality towards the structural funds. Requests from the public sector and particularly local authorities, who are the projects’ main beneficiaries, reflect the long-standing demands for public works and infrastructure which serve short-term political objectives (Interview #24). Hence, local demands have been on roads, ports, and, if possible, even an airport in each town (Interview #11). Such local demands have influenced the actual implementation of projects (Interview #9). In this context, the demand for trains requiring long-term planning at the national level has been low. This reflects the approach of programmes serving as the compilation of predetermined and opportunistic local projects rather than the outcome of strategic planning. The NSRF's top-down approach sought not to limit local democratic participation, but rather to change the prevalent mentality. The Ministry of Economy would not approve an OP unless it was clear that the projects planned would meet these objectives, in an effort to avoid past practices, during which OPs were only compilations of proposed projects (Interview #11).

Until 2007, when Bulgaria joined the EU, Greece did not have land borders with any European member state. The absence of physical links with the European Union was considered an element of peripherality that had to be addressed, through the development of the necessary transport infrastructures that could help balance regional disparities within the EU (ECOTEC 2003, 65). Priority has been given to the development ports and airports. The Athens airport, co-financed by the private sector is an important example of such an investment. Additionally, the development of alternative transport facilities such as the Igoumenitsa port, in western Greece, as an entry point to the European Union via Italy became a priority (Interview #22). As previous access to this area of Greece was limited, there was a recognized need to improve access through the construction of connections to western Greece. The connection chosen was the development of the road network and the link to Egnatia.

Furthermore, transport infrastructure has been viewed as a necessary factor for growth. There is no doubt that Greece was lagging behind in its infrastructure and that there was an actual need to upgrade its network. The substandard level of transport infrastructure in Greece was regarded as an element that influenced the country's competitiveness, led to road accidents, and caused environmental degradation (Regional Development Plan 1998). While necessary, transport infrastructure, however, is not sufficient for growth, as was later confirmed also by the Commission (European Commission 2001b, 49). Although in relative terms Greece was found to spend less on transport infrastructure than other cohesion countries, the disproportional concentration of investments on this sector "could not be justified by their potential contribution to growth rates" (European Enterprise Organization 2003, 4-77; ECOTEC 2003, 84).

Indeed, similar to wastewater treatment projects, regional roads are preferred because they are easier projects (Interview #24). Compared to other more difficult projects, such as railway, but most significantly to environmental protection projects, roads are less complex and more straightforward. As mentioned, difficult projects are bypassed while absorption rates remain high.

While transport networks were provided for in the Treaty as important foundations of the internal market, the actual listing of TEN-Ts was not developed until the mid-1990s. Works on the two main roadways in Greece had already been initiated since the late 1980s. Hence, while the European insistence on these transport infrastructure projects is hailed as the determining factor, it should be remembered that as a member state Greece, also influenced the selection of the specific projects in a dynamic process.

Environmental assessment

Large infrastructure projects, including transport projects, have substantial potential environmental impacts. During the third programming period, which offered several environmental funding opportunities, it has been estimated that for every 6 Euros invested in projects with potential negative consequences on the environment, only €1 was invested in environmental protection in Greece (Liarikos 2004). Given previous experiences, including the Acheloos diversion case, environmental impact assessments were added as a requirement prior to the construction of any project that received European co-financing (European Enterprise Organization, 9-168).

The requirement of environmental impact assessment was mentioned throughout the interviews as the most important tool available to ensure that projects implemented were in accordance with the requirements of environmental legislation. Environmental permits of projects that are based on approved environmental impact assessments have become pre-requisites in order for a project to be eligible for funding. In fact, an environmental permit is considered one of the important maturity criteria, together with feasibility and other technical or economic studies, for the selection of a project by a management authority. In addition, it is a requirement established by the European Commission (Interview #1, #3).

Such assessments, however, were limited only to the legally imposed necessities, ignoring indirect and long-term impact of funded projects (Liarikos 2004). The Egnatia motorway, for example, crosses through the habitat of the brown bear (*Ursus arctos)* in Greece. When the project's EIA was presented, it neither considered alternative alignments nor included mitigation measures that would prevent impacts on the bear's habitat as well as direct collisions (WWF 2006, 51-53). In fact, a different funding line of the EU, Life, had funded a project to study the impact of the particular highway on the brown bear, demonstrating the inconsistency of funding priorities at the European level (WWF 2006). As a result, NGOs appealed to the Council of State, which found deficiencies in the EIA.[78] As a result, a new EIA had to be undertaken, delaying implementation of the project in the particular segment of the motorway. While the new EIA did not alter the alignment of the highway, it provided for several additional mitigation measures (tunnels, bridges, underpasses, etc.) that would minimize the impacts of construction and the operation of the highway on Greece's protected species. Such measures, although important and necessary, cannot be considered strategic or innovative, since mitigation measures have been designed in the United States already since the 1970 (Interview #26). Nonetheless, the fact that "all building work is preceded by an impact assessment and construction companies have to comply with certain criteria" was considered as an important contribution to the protection of the environmental and cultural heritage of Greece and an "on-going concern for Egnatia Odos SA (limited company set up by the Greek Government in 1997 to manage the project)" (European Commission, 2003). The Egnatia project served an important lesson for many other similar large projects. As a result, currently significant funds are dedicated to mitigation or other environmental priorities by the companies that implement the major transport

[78] The three NGOs were: Arcturos, WWF Greece, and the Hellenic Society for the Protection of Nature.

projects (Interview #24). During interviews, the case of Egnatia emerged more often as a case of best practice, despite the fact that every year a significant number of bears is killed on the highway, due to the insufficient implementation of some of the mitigation measures (Callisto 2011).

Slowly it became clear that projects such as the Acheloos diversion, and improper project design practices would not generate funds. Hence, gradually during the planning phase, more environmentally friendly projects were included, since such projects would bring in funds from Brussels (Interview #14). Indeed, the Commission has often used the "stick" of suspending and even cancelling of funds when projects do not meet environmental requirements (Interview #3). During the interviews many examples of projects that have been redesigned in order to meet EU environmental requirements were presented. Most were related to transport infrastructure projects, while a few others, such as water management projects, were also mentioned. The Greek public administration, therefore, has entered a learning process that required them to take into account environmental requirements in their decisions since the second programming period (Interview #6). Consequently, it was noted that the Ministry of Environment's greatest contribution and involvement in the structural funds during the second, and most significantly, the third programming period has been the implementation of the EIA requirement leading to an environmental permit (Interview #5). Given the incentive of access to funds as well as threat of the monitoring and control system in place, the structural funds have encouraged implementation of environmental legislation that has been in place but also has been ignored (Interview #11). As a result, the capacity of beneficiaries has also been raised.

However, the learning process has been slow. Indeed, on numerous occasions during the interviews conducted for this research project the environmental permit system was hailed as problematic, inefficient, and leading to delays that have an impact on absorption rates. The notion that an EIA is only one of the available tools to ensure environmental protection, and not the only one, has yet to be completely accepted (Interview # 26). Given that an environmental permit is one of the maturity requirements for payment commitments in an OP, in the absence of an environmental permit, a managing authority cannot include the project in its dedicated funds. As a result, delays caused by the environmental permits system may lead to a redirection of funds to other projects that are already mature. Several factors contribute to this delay, most not directly linked to the structural funds, but rather connected to broader administrative weaknesses of Greece as well as reflective of the inconsistent attitudes towards environmental protection. EIAs are viewed as a box that needs to be checked, a step that needs to be completed rather than a meaningful planning tool. As a result, because of poor quality and inconsistencies, problems arise either during their approval of the project or during the project's implementation that delay its completion. In addition, referrals to the courts on several grounds, either as a result of genuine environmental concerns or as an expression of the NIMBY syndrome, further delay completion of projects. Given this image, the environmental permit system is identified as an important delaying factor. What is not understood is that projects properly designed will lead to smoother implementation and higher rates of absorption (Interview # 16, #3). Such proper planning may require additional time, which in addition to technical difficulties may explain the long cycle of project completion, with projects being rolled over from one programming period to the next (Interview #17).

Nonetheless, it is clear that the focus of environmental integration has been largely on preventing negative impact, rather than promoting integrated environmental projects (Interview #11). Indeed, the EIAs and the environmental permit system rarely change the planning of a project. Weaknesses in control mechanisms, in the absence of planning, allow room for political interventions and arbitrary funding decisions that meet other needs (Interview #6). Indeed, because the public administration is weak on environmental issues, it is susceptible to local pressures (Interview #5). With the pressure on absorption remaining a defining factor, easier projects are selected (Interview #20). Given the absence of such important tools as a spatial plan to guide investments and strategic development planning, the EIAs can only minimize negative impact. They cannot integrate sustainable development requirements nor change the planning priorities (Interview #6). Hence, as was noted by many of the individuals interviewed, innovative projects or more challenging environmental projects that integrate different aspect of sustainability are rarely preferred.

Experience demonstrated, therefore, that assessment of individual projects is not sufficient and that an assessment of the *cumulative impact of development choices was needed* (WWF 2006). Hence, the strategic environmental assessment directive was adopted in 2001. It is important to note that the adoption of the strategic environmental assessment (SEA) directive, which is designed to examine plans and policies rather than individual projects was delayed and was not completed until 2001, despite the fact that drafts of the directive were ready since 1985, when the EIA was approved (Interview #26).

Approved SEAs were a precondition for the approval of OPs by the Commission for the first time during the 2007-13 programming period. An assessment of the SEAs' contribution in the implementation of the NSRF cannot be undertaken at this stage. Nonetheless, a few comments regarding their preparation and the contribution in the planning of the 2007-13 programming period are necessary. While recognized as potentially important, the quality of the first round of SEAs was recognized as poor and the process of completing the SEAs was rushed (Interview #25, #19, #26, #27). The SEA requirement was often referred to as the "environmental permit of the OPs" (Interview #19). Greece was not prepared nor had the capacity to undertake such systematic reviews, while the Commission offered limited guidelines. Similarly, the consultants to which the SEAs were commissioned did not have the technical expertise in SEAs, following therefore a pattern similar to the EIA or registering impacts, rather than providing environmental guidance (Interview #26). In addition, important legal interpretation problems have rendered its implementation difficult (Interview #26). SEAs were on numerous occasions completed only after the OPs had been drafted and submitted to the European Commission for an initial review. Indeed, the Commission accepted the OPs in order to expedite the preparatory phase, which had already been delayed, as a result of the prolonged negotiations on the allocation of the 2007-13 budget, which in fact had knock-on consequences (European Commission 2010e). Hence, results of the SEAs were mixed

(Interview #2, #28, #23). On occasion, the SEAs contributed in the rewording of several priorities but not a substantive change in the strategic direction of the OPs.

The SEA also introduced environmental monitoring requirements. As a result, environmental and managing authorities jointly created a list of environmental indicators in order to assess the environmental impact of the implementation of each OP. These indicators have been integrated in the monitoring system of EU co-financed projects (Interview #25). In addition, managing authorities are required to issue an annual environmental monitoring report, a process that could generate important lessons regarding evaluation of environmental impact. For the most part, authorities do not have environmental capacity to undertake such monitoring, outsourcing the environmental monitoring of the OPs (Interview #25). Since the NSRF did not become fully operational until 2010, the evidence on the extent to which provisions included in the SEAs is inadequate. Moreover, until recently a review mechanism of the annual reports was absent. As a result data were sent to the Ministry of Economy for review, while the Ministry of Environment never responded. In late 2010, a special environmental coordinating service was established at the Ministry of the Environment in order to review, assess and monitor the SEAs' implementation. The first review of annual reports was undertaken in 2011; hence, the results of the assessment were not available when this project was completed (Interview #27).

Moreover, an interim environmental evaluation on the basis of recommendations of the SEAs is expected in 2011. This evaluation could offer important insights, result in amendments of the OP, and even impose the need for a new SEA if an OP significantly derailed from initial commitments (Interview #25). In the case of a review of the NRSF and of the OPs as a result of Greece's financial crisis, new SEAs will have to be undertaken, or, at least, OPs will be submitted to a screening process that will determine whether a new SEA is required. If new SEAs will be deemed necessary either due to the midterm evaluation or due to the financial adjustments of the OP, the process will serve as an important testing ground of the lessons learned during the first round of application of the SEAs. Moreover, the question of whether it will be perceived as an additional requirement leading to delays in implementation and absorption of funds remains open.

A missed opportunity for environmental protection?

This chapter offered a detailed review of the application of the structural funds in Greece since becoming a member state in the EU. The historical review relating to its immediate post-war history offered an important background in order to understand the political context in which the analysis of the extent to which sustainable development has been integrated over the years. Indeed, this background is essential, as structural funds served as an "external shock" that has challenged preexisting institutions (Paraskevopoulos 1998).

While the tri-pillar definition of sustainable development seems to be an accepted principle, with which all individuals interviewed were familiar, there was a clear recognition that environmental concerns follow those regarding growth and employment. The main issue in the country remains the economy. However, most interviews confirmed that the environment has been raised in the political agenda as well as across the public's interests. In this respect, the potential contribution of the cohesion policy to the protection of the environment and to sustainable development was widely accepted. In fact, cohesion policy was referred to as a "Trojan horse" that offers important learning opportunities with respect to compliance with environmental law (Interview #8).

Nonetheless, it was also clear that economic convergence is and given the financial crisis, will remain an important policy priority. At the same time, efforts to systematically proceed towards convergence with the EU average have been disrupted by the lack of strategic planning, the absence of the necessary development tools and most importantly the presence of strong informal pressure networks. As presented in the earlier sections of this chapter, although until the mid-1970s, Greece seemed to be converging towards the EU average, since the 1980s and over the next 15 years, a period that coincides with the first half of its membership to the EU, the country's economy was diverging from the EU average (Ioannides and Petrakos 2000, 32). Hence, the appropriate use of the funds has been questioned:

> By 1995, the Greek percentage of the EU average [GDP per capita] was 66 – still about what it had been in 1988 – and behind Portugal's 68, Spain's 75, Ireland's 75 and Italy's 101. Although these figures were not a very accurate measure of comparative human welfare, they made a strong impression in Greece. They did indicate that Greece had somehow failed to benefit from a massive influx of EEC subsidies and loans, for which its government had bargained forcefully, and had become the Community's seemingly incurable invalid – a despised one at that, given the flagrant way in which Community aid had been wasted in corruption and vote buying (Close 2002, 169).

Indeed, when presented with the planning, managing, and implementing requirements of the structural funds, several of Greece's weaknesses were revealed (Moussouroulis 2010, 62). Although the structural funds have encouraged the decentralization process of Greece, the fact is that the central state has retained control of the application of the funds in a way that has not allowed the development of innovations initiated by the cohesion policy (Getimis and Paraskevopoulos 2002). Opening of planning and implementation procedures was only gradual and evolved in each subsequent programming period (EPRC 2009c). In a centralized country, such as Greece, partnership introduces important challenges. A weak tradition in participatory processes led to boisterous political argumentation instead of substantive discourse. Hence, it has been argued that the impact of the CSFs on the domestic institutional structures has been minimal (Chardas 2011b). It is more likely, however, that the process of institutional learning has been slow (Getimis and Demetropoulou 2004; Getimis and Paraskevopoulos 2002). While regional governance, despite being a prerequisite for cohesion policy, has not emerged, other institutional practices have adapted to European requirements (Andreou 2006). Domestic factors consistently have acted as a counterforce against change to old practices (EPRC 2009c, 87). As a result, Greece has partially adapted to a multi-level governance system as a result of the implementation of the cohesion policy, leading to what has been referred to as a "half-way Europeanization' (Getimis and Demetropoulou 2004, 356).

Since the first programming period and even when the IMPs were adopted, the environment has been consistently mentioned in all strategic documents. Greece, together with the cohesion countries, sought funding in order to implement environmental obligations. While funds have been directed toward numerous environmental priorities, such as nature conservation, management of protected areas, addressing air and noise pollution, promotion of renewable energy, and establishment of new environmental institutions, the application of funds has not contributed to an improvement of the country's environment. Implementation of EU environmental directives remains inadequate, leading to several convictions at the European Court of Justice.[79] In particular, it was difficult to initiate and support projects that required "new expertise or initiative of unaccustomed kinds, on the part of civil servants" (Close 2002, 185). Included among those were projects involving environmental and social priorities. It is worth noting that environmental indicators, such as surface of protected areas, were not applied in order to evaluate comprehensively the needs of each region (Georgiou 1995, 132). In other words, while funds were available for environmental protection, "the Greek government has been slow and half-hearted in utilizing them" (Close 2002, 186). While the concept of sustainable development seemed to be prevalent across policy discussions and public statements, "there are doubts as to how far it has really penetrated the world of policy-makers" (Weale et al. 2000, 162).

[79] For example, only within the context of nature conservation, Greece has been convicted on several occasions for inappropriate implementation of the Habitats (92/43/EEC) and Birds (79/409/EEC) Directives. Indicatively:

- 27 Oct. 2005 C-166/04 due to insufficient measures for the conservation of the Mesolonghi Lagoon according to the Habitats Directive.
- 16 Mar. 2006 C 518/04 due to the inadequate protection of the Milos viper according to the Habitats Directive.
- 27 Jan. 2011 Greece was referred to the European Court of Justice due to the non-implementation of the necessary protection and conservation legal framework for the polluted and degraded Lake Koronia.

Despite securing funding for environmental priorities, analysis demonstrates that the amounts allocated for environmental provisions were only a small proportion of those allocated for other priorities, many of which have potentially negative or even destructive environmental consequences. Since the mid-1980s, “the strategy of large infrastructure projects as an engine of growth has been dominant” (Stevis 1993, 90). The EU funds fueled this engine. Although early on cohesion policy encouraged the financing also of small infrastructure works, from the 1990s onwards funds have been directed mostly to projects of national and supranational importance (Konsolas, Papadaskalopoulos and Plaskovitis 2002, 5-6). Construction projects served the purpose of absorption well. Indeed, it is interesting to note that although the contribution of the construction sector to the country’s GDP had fallen, in the 1990s, with the “stimulus of EU subsidies,” it was increasing again (Close 2002, 171). As a result, “in October 1995 the government spoke of 5,500 separate construction projects co-funded by the EU” (Close 2002, 184). “During the period 1991-2004, within the framework of the development programmes financed by the EU, many important infrastructure projects were completed” (Frangiadakis 2007, 221). They include major works, such as highways, bridges, tunnels, the Athens subway and airport, as well as irrigation works, sewage treatment plans and natural gas pipeline, in addition to many much smaller projects (Close 2002, 184). Without doubt, these projects aimed at covering a long-standing demand for economic and social infrastructure, constituting the “most extensive investment programme that the country had ever known” (Frangiadakis 2007, 221). It is interesting to note that more than 15 years since the first IMPs, “in the latter half of the 1990s, subsidies for infrastructure were generally hailed as the prime mover of economic development” (Close 2002, 184).

<u>Concluding remarks</u>

Endogenous historical, economic, and political factors related to the absence of strategic planning and clear priorities, have allowed informal pressure networks to become important actors directing funds to meeting short-sighted needs. However, the application of structural funds is not a national competence of each member state. Rather, it is a shared competence with the European Union within the context of multi-level governance. The allocation of funds has been approved by the Commission, which over the years has weakened its oversight over the effective use of the funds. As a result, in a country such as Greece with identified institutional weaknesses, structural funds are absorbed by the local governance system of management rather than a lever for change, as provided in the regulations. In this sense the fact that the second programming period has been widely recognized as the most influential in Greece in terms of institution-building should be noted. Although funds were “lost,” Greece became familiar with being required to comply with environmental legal requirements and with new practices of programming, monitoring, and evaluation.

In recent years, political commitment to greater environmental integration as expressed in the NSRF and to green development, the 2009 winning party, electoral manifesto, signaled a slow transition to a new model of development. The current financial crisis, however, presents an overwhelming challenge to this transition. Structural funds are recognized as the only funds that could help

Greece exit this crisis. However, the conclusions of this chapter demonstrate that Greece is faced with an important dilemma. On the one hand, based on past practices, this immediate need for growth could lead the structural funds to projects that would help the country meet the economic, financial and fiscal targets to which it has agreed. Funds could be directed to easy projects, mostly linked to the infrastructure, satisfying the country's clientele that has grown dependent on public investments and EU contributions. Such projects would have a questionable long-term economic development impact and significant negative environmental impact. Indeed, proposals to weaken the environmental permit system in order to facilitate economic growth are reminiscent of past Greek argumentation on exceptional treatment.

On the other, Greece could choose a more difficult route. The country could choose to invest in challenging projects that would not only provide it with the necessary environmental infrastructure, especially in the waste management sector, but would also turn its natural capital to a comparative development advantage by protecting its natural environment. Greece could with more than 40-years' delay build necessary environmental institutions and tools that would attract planned and organized viable investments. Greece could invest in integrating the environment across economic and policy sectors.

The transition to sustainable development is dependent on political will. At a time when decisions on the future of the country are made in coordination with European and international partners, the extent to which Greece will transition to sustainability is also contingent to the priorities that its partners will set. In terms of applying the structural funds, the European Commission is also given the chance to rectify its record and focus on meeting policy objectives rather than focusing on absorption rates.

The following chapter examines the extent to which these conclusions are relevant only to Greece or whether in fact they fit a larger European pattern.

CHAPTER 7: IRELAND, PORTUGAL AND HUNGARY

The chapter examines the application of the structural funds in three countries: Ireland, Portugal and Hungary. Each country has its own particular characteristics, while sharing important similarities as they became European Union (EU) member states. First, their whole territory was eligible for structural funds. Second, they had similar centralized systems of governance, in which a regional level of governance did not carry autonomous power. Third, environmental policy was weak. While their economic records have not been similar, they joined the EU as poor members. Presently, the three countries are facing similar financial problems linked to a growing sovereign debt. These characteristics are comparable to those of Greece, allowing for meaningful comparison across four distinct cases.

While these similarities are important, the context of the application of the structural funds and the declared commitment to sustainable development differed. When Ireland became a member state, environmental policy was only emerging as an important field of European involvement and the European Regional Development Fund (ERDF) had not yet been established. More than a decade later, when Portugal joined the EU, both cohesion and environmental protection had become policy priorities. By the time that Hungary joined the two policies were recognized as being among the most important EU policies. The evolution of each of the policies was presented in Chapters 3 and 4 and the way that they have become intertwined in Chapter 5.

The previous chapter focused specifically on Greece. Gaps were identified and limited progress regarding environmental was recorded over time. This chapter examines the application of the structural funds in Ireland, Portugal and Hungary in order to explore whether the Greek case is unique, or whether, in fact, it is an example of a larger pattern. The examination of each country begins with a brief historic and economic overview and a short presentation of the status of each country's environmental policy. Then, the application of the structural funds and the extent to which environmental integration has taken place in the planning and implementation of EU co-funded programmes is presented.

Ireland

Brief overview

An island state, Ireland[80] has gone through a turbulent recent history, mostly linked to the status of Northern Ireland. In 1973, together with the United Kingdom and Denmark, Ireland partook in the first enlargement of the EU, becoming its first peripheral country. The peripheral character of Ireland is a factor both of its geographic location, being an island state at the western edge of Europe, and of its economic status, being a poor country compared to the EU economic average. At the time of its entry into the EU, Ireland was the poorest member state. By 2002, however, per capita income was 120% of the EU average, second only to that of Luxembourg (Finian and Alden 2006, 126). Entry into the European economic integration project was an important turning point for Ireland, since until then its economy was largely dependent on that of the UK (Fitz Gerald

[80] Ireland in this research refers to the Republic of Ireland.

1998). The country's development within the EU was considered a success, especially during the 1990s and early 2000s, conferring on Ireland the title of "Celtic Tiger."[81] Ireland was regarded as "the only poor state that actually converged with the richer parts of Europe" (Laffan and O'Mahony 2008, 221-222).

In 2008, the Irish economy, influenced by the global economic crisis, entered into a recession. A serious real estate and banking crisis, similar to that of the United States, soon had a visible impact on the country's public finances. Despite a series of austerity measures, a national financial crisis surfaced, leading Ireland to submit an application for European and international financial assistance. In late 2010, Ireland became the second Eurozone country, after Greece, to seek a bailout and the first country to receive financial assistance, amounting to €85 billion, from the newly established European financial stability instruments, the International Monetary Fund (IMF) as well as bilateral loans, in order to avoid defaulting on its ability to finance its sovereign debt (Council of the European Union 2011). Although during the 1990s the economic growth of the Irish economy was substantial, the recent financial collapse raises questions with respect to the sustainability of the model on which this record was built.

Environmental policy in Ireland

Ireland joined the EU at a time when environmental policy was only beginning to enter European politics. Ireland's accession coincided with the

[81] The title of a 'Celtic Tiger' was an analogy to the Asian Tigers (Hong Kong, Singapore, South Korean and Taiwan) whose economies for several decades since the 1960s demonstrated high levels of economic growth and technological advancement.

adoption of the first Environment Action Plan and a period when other member states were starting to form their environmental regimes. At the time, Irish environmental policy was one of the weakest and least developed in Europe (Laffan and O'Mahony 2008, 165). Without a national environmental policy tradition, Ireland started paying serious attention to environmental issues only when the EU did (Connaughton 2005, 51). Therefore, policy advances in Irish environmental policy have been responsive to and fundamentally influenced by developments in Brussels (Laffan and O'Mahony 2008, 164-166).

Ireland has adapted to European environmental requirements only on an *ad hoc* basis (Rees, Quinn and Connaughton 2006, 68; 73). Implementation of environmental provisions has been "patchy," while monitoring and enforcement is "too little, too late" (Connaughton 2005, 46-47; Laffan and O'Mahony 2008, 167-168). A fence-sitter, if not a foot dragger, Ireland is a country that has prioritized securing derogations from new environmental standards, limiting the economic cost and financial burden of new environmental requirements, and even delaying implementation until the question of compliance is brought to the Court of Justice of the European Union (hereafter the Court) (Börzel 2005b, 170; 173; Connaughton 2005, 41; 51). It is indicative that since 2008 the Court has ruled against Ireland on four occasions with respect to either incomplete transposition or inappropriate application of the Environmental Impact Assessment (EIA) directive – the fundamental directive to control environmental consequences of economic activity.[82] At the end of 2009, 14 out of 61 environmental rulings of the

[82] Recent Court rulings against Ireland, with respect to failure to meet obligations under the EIA Directive (85/337/EEC, as has been amended) include:

Court against a country for non-compliance with an earlier convicting decision concerned Ireland, placing the country first among the EU-27.[83] At the same time, the Commission had another 34 open infringement processes against Ireland on environmental grounds, placing the country third among the EU-27 (European Commission 2011h). The country's economic growth has increased environmental pressures, leading to concerns regarding the maintenance of the relative good quality of the Irish environment. This brief review confirms that despite the country's environmental policy developing concurrently with the European environmental policy, significant compliance and implementation problems remain (Environmental Protection Agency 2008).

Cohesion policy in Ireland

Prior to joining the EU, Ireland had little commitment to regional policy, since the focus was mostly on the country's national economic growth (Rees, Quinn and Connaugton 2004, 384; Adshead 2002, 64). Membership to the EU did not immediately challenge this approach, since, as discussed in the chapter on cohesion policy, regional policy across member states was shaped along national priorities rather than being focused on bridging regional disparities and promoting territorial cohesion (Mullally 2004, 26). The 1988 Delors reforms, therefore,

- 3 Mar. 2011 Case C-50/09 on the basis that Ireland EIA process does not provide for a comprehensive examination of projects, such as demolition projects, that require different types of permits.
- 16 Jul. 2009 Case C-427/07 due to failure to ensure that proper application of the directive in the case of the construction of private roads.
- 20 Nov. 2008 Case C-66/06 regarding improper application of the provisions of the EIA Directive in the case of the restructuring of rural projects and licensing of fish farms.
- 3 Jul. 2008 Case C-215/06 due to incomplete transposition and improper implementation of the EIA directive.

[83] EU-27: The 27 member states of the European Union at the time.

served as a turning point stimulating the centralized Irish government in becoming active in the field of regional and cohesion policy. Qualifying for objective 1 funding, as a country lagging behind in economic development and facing structural deficiencies, Ireland managed to secure comparatively more funds than the other countries at a comparable level of development (i.e., Greece, Portugal, and Spain).[84] In accordance to the practice until then, the first Irish National Development Plan (NDP), which would be funded almost exclusively via the Community Support Framework (CSF), included mostly national economic funding priorities. While the NDPs continued to establish national objectives, the contribution of the EU funds to these objectives declined in each consecutive programming period. Nonetheless, some of the early planning and implementations patterns have remained to date. Ireland had been continuously successful in securing the "highest per capita transfers from the European budget" until the 2004 enlargement (Fitz Gerald 1998, 681; Laffan and O'Mahony 2008, 233; 138). Its efficiency in successfully absorbing EU funds was commended upon by a European Commission official with experience in overseeing the application of the funds in several member states (Interview #2). This observation is further confirmed by the fact that during the third CSF, "over half the payment of the ERDF had been made by the end of 2003 and 90% by the end of 2006" (European Commission 2010b, 26-27).

In order to secure these funds and absorb them effectively, administrative and institutional changes to the preexisting system were necessary. The powerful

[84] Objective 1 is the category of funding aimed at promoting the development and structural adjustment of the regions whose development is lagging behind. The criterion for a region to receive objective 1 assistance is that a region's or country's income falls below 75% of the EU average GDP per capita.

central government, with a weak tradition in regional policy and regional or even local government, had to comply with and adapt to European requirements (Adshead 2002, 34; McMaster 2008, 96; Rees, Quinn and Connaughton 2004, 379; Fitz Gerald 1998). While the effects of the cohesion policy were not immediately evident, eight regional councils were formed in 1988 and regional authorities were established in 1993. The development of these new institutions was required, as preexisting counties could not sufficiently meet the requirements of a regional level of governance (Bache 2008, 58; Adshead 2002, 39). Despite these adjustments, the power given to regional institutions was limited. This is particularly true since, for the purposes of the structural funds, Ireland was initially treated as one NUTS 2 region. This decision ensured that Ireland would receive the greatest possible share of funds at the time (Adshead 2002, 71). It also meant that regions were not required for the management of the EU funded programmes, which instead were managed centrally by the Ministry of Finance. Consequently, the first CSF did not include a regional dimension, and rather focused only on national objectives that were detailed in the sectoral operational programmes (OP). In an attempt to comply with the EU regional policy requirements, the second CSF included one OP on Local Urban and Regional Development, covering Ireland’s whole territory (Adshead 2002, 71).

While the first two programming periods triggered only superficial amendments to the country’s system of governance, more significant institutional changes, took place in view of the third programming period. The reforms were enacted only when it became clear that Ireland’s extensive economic growth during the 1990s would not justify retention of the country’s objective 1 status

(Laffan and O'Mahony 2008, 144). Losing this designation would have led to a drastic reduction in funding that Ireland would receive from the EU budget in the 2000-06 programming period. In response, Ireland submitted an application to Eurostat requesting to split the country into two NUTS 2 level regions: Southern and Eastern (S&E) Region and Border, Midland and Western (BMW) Region[85]. Although initially Eurostat rejected the application spotting financial opportunism in the proposal, following a period of negotiations, Ireland succeeded in its strategy (Boyle 2000). While the S&E region qualified as a phasing out of objective 1 region, the BMW region retained objective 1 status, which meant that Ireland would continue benefiting from all EU funds, including the Cohesion Fund.[86]

In response to this change, regional development was mentioned for the first time as a priority to be met through the implementation of the third CSF. Moreover, for the first time Ireland developed two regional operational programmes, in place of the national OP on regional development that had been developed in the previous funding period. Management of the two regional OPs became the responsibility of newly established regional assemblies, in what could be regarded as a regionalization attempt (Leonardi 2005, 24; McMaster 2008, 101; Adshead 2002, 71). Members of the assemblies have been elected officials of local authorities. The Ministry of Finance supported financially the responsibilities of the regional assemblies with respect to management of the EU co-financed programmes. The designation of the regions and appearance of

[85] It is reminded that for statistical purposes the territory of the EU is classified under three levels of geographical subdivisions, called NUTS (Nomenclature of territorial units for statistics). A region, for the purposes of cohesion policy, falls under the NUTS 2 level.
[86] Ireland was eligible for funding through the Cohesion Fund only until 2003.

regional governance constituted a strategic move that proved successful. Ireland extended and maximized access to the structural funds for one more financial cycle (Laffan and O'Mahony 2008, 149; McMaster 2008, 115-116).

Despite benefiting from this delay, Ireland's growth rates and the accession of the Central and Eastern European (CEE) countries, meant that Irish regions would eventually not be eligible for objective 1 or convergence funding.[87] Indeed, Ireland became a net contributor rather than a net beneficiary of the EU budget. During the current 2007-13 programming period, the S&E region qualified only for competitiveness and employment funding, while the BMW region qualified as a phasing-in region. Ireland has developed three operational programmes, two of which are regional, while the sectoral OP on Human Capital Investment is funded solely through the European Social Fund (ESF). In fact, "there is no clear distinction between the policies pursued in the different regions", which strengthens the argument that the regionalization process that occurred in light of the third programming period was in effect tactical rather than substantial (Drudy 2010, 10).

Ireland's new status during the 2007-13 period has important financial implications. The financial plan of the BMW OP proves its transition status, as spending was expected to show a gradual reduction during the implementation period. Specifically, the financial planning of the OP provides that an annual payment average of €152 million in 2007 would be reduced to €15 million in 2011, compared to an annual average of €269 million during the 2000-06

[87] Objective 1 regions are referred to as convergence regions during the 2007-13 programming period.

programming period (NSRF Ireland, 10). Placing this difference in perspective, the impact of the change in status becomes obvious:

> Structural funding available to Ireland peaked at 2% of GDP from 1994 to 1999 before falling to 0.5% of GDP in the 2000-06 period. Structural Funding for the [2007-13] round is therefore about one-tenth of its relative size during the last round and one-fortieth of that which was available from 1994 to 1999 (Ireland NSRF 2007-13, 10).

Throughout the 20 years that Ireland has benefited significantly from EU structural funds, strong or autonomous regional institutions did not emerge. Instead, the central state retained control of and wielded the greatest influence on the country’s development process (Laffan and O’Mahony 2008, 149). Without a regional dimension in the planning process, the rapid growth of Irish economy has been uneven (Finian and Alden 2006, 130-131). The urban S&E region has demonstrated higher growth levels than the more rural BMW region (McMaster 2008, 98). Centrally selected sectoral rather than regional priorities constituted the basis for the CSFs’ planning and implementation. The Greater Dublin area became the main beneficiary, while other regions in greater need were disadvantaged (Barry 2003b, 148; Rees, Quinn and Connaugton 2004). During the second programming period, for example, investments were concentrated in Dublin to ensure higher absorption rates – for the purpose of efficient use of the funds (ECOTEC 2003, 76). The unequal allocation of the structural funds weakened the potential contribution of the funds to regional convergence, and as expected from an analysis of the first programming period, sharpened regional divergence (Matthews 1994, 45).

Through cohesion policy, indirect support to the Irish boom was provided (Barry, Bradley and Hannan 2001). An analysis of projects financed through the Cohesion Fund concluded that the availability of these funds triggered additional investments and increased regional activity in areas where projects were completed (ECORYS 2005, 50). The provision of funds flowed directly to the Irish economy, especially to the construction industry, consequently supporting rapid growth rates (Farrell 2004, 940). In addition, structural funds allowed the country to finance projects, especially infrastructure projects, in sectors that would have otherwise been neglected because funding would not have been available or would have been limited (Barry 2003b; Finnegan 2001, 179).

At this point it should be noted that while structural funds are recognized as important, they are neither the only nor the defining factor of the notable economic growth of Ireland since the early 1990s (Laffan and O'Mahony 2008; Finian and Alden 2006, 130; McMaster 2008, 96). Inward foreign direct investment, especially from the United States, access to the European single market, a low corporate tax, and the use of the English language constitute additional, equal, or possibly more important factors to Ireland's economic success than the flow of structural funds (Barry 2003b; Braunerhjelm *et al* 2000, 77-87; Farrell 2004).

Beyond the economic impact of structural funds, cohesion policy requirements have left their mark on the country. Ireland integrated the EU funds into its own national development policy and incorporated the management needs of the structural funds into its national public administration (Chardas 2011a; McMaster 2008, 106). The 2007-13 National Strategic Reference Framework

(NSRF) is built into the Irish development plan. With a budget of less than €1 billion drawn from various European funding sources, the NSRF complements the NDP's planned budget of €183.7 billion. Having to comply with the EU regulations, the public administration was introduced and required to adapt to new methods and processes, such as goal-setting, programming, and evaluation (Fitz Gerald 1998, 683; Laffan and O'Mahony 2008, 149; McMaster 2008). In this learning and adaptation process, Irish authorities have had the support of qualified, expert technocrats, drawn from within the administration as well as from independent think tanks, who have advised and supported efficient implementation of the programmes (Interview #10). Programming processes introduced by the cohesion policy became customary as indicated by the consistency with which the design of the 2007-13 NDP has followed planning requirements that guide EU-funded strategic documents, even if it was not required to do so.

Cohesion policy: contributing to sustainable development in Ireland?

The application of the structural funds in Ireland, as mentioned earlier, was integrated into the NDPs that the country developed for each programming period. A poor country that gained access to extraordinary amounts of financial assistance set its economic development as a main priority in the first NDP. The EU co-financed CSF was aimed at converging Irish income levels with the EU average and promoting economic and social cohesion (European Community 1994). Specifically four priorities were set: a) agriculture, fisheries, forestry, tourism and rural development; b) industry and services; c) measures to offset the effects of peripherality; and d) human resources measures (European Community 1994). The two latter priorities included investments to improve the country's human and physical capital. These two priorities accounted for almost 60% of the total amount available to Ireland, each being allocated approximately 30% of available funds (Fitz Gerald 1998, 682). Investments in education and training were deemed a priority since the country lacked skilled labor that could staff the growing economy (Fitz Gerald 1998). The priority regarding reduction of the country's peripherality included mostly investments in transport infrastructure that would finance particularly the development of the country's road network (Mathews 1994, 52-53). Compared to other cohesion countries, Ireland invested less in physical infrastructure and more in strengthening its human capital through the abovementioned training measures during the 1989-93 programming period. Within this context, environmental provisions were weak, since the NDP "devoted only eight lines to the environment" (Mullally 2004, 31). The limited environmental investments available were directed to wastewater infrastructure projects.

The emphasis on economic and social cohesion was retained in the second programming period. Co-financed actions were aimed at promoting sectors with the greatest long-term economic potential, improving the country's competitiveness, developing work skills needed, and harnessing local initiatives (European Commission 1994). Thus, similarly to the distribution funds in the previous funding period, the second CSF focused on covering the country's needs in human resources and physical infrastructure. Specifically, human resources accounted for almost 37% of the funds allocated, infrastructure for slightly more than 17%, and the rest was allocated to supporting the country's productive sectors (European Enterprise Organization 2003, 4-111; ECOTEC 2003, 9). The competitiveness-improvement objective of the CSF was linked to building Ireland's infrastructure, given that deficiencies in infrastructure were viewed as an impediment to development. To bridge the country's infrastructure gap, three separate OPs were implemented: Environmental Services, Economic Infrastructure, and Transport. Transport infrastructure development, with the focus remaining on completing the country's road network, accounted for 14% of the total EU funding that Ireland received. Other infrastructure investments were directed to meet needs in telecommunications, public transport and ports (Laffan an O'Mahony 2008, 233; European Enterprise Organization 2003, 4-111).

In comparison to the 1989-93 CSF, the second CSF made an effort to integrate the environment more systematically. Compared to the few lines of the previous CSF, a whole chapter was devoted to the environment (Mullally 2004, 31). The intervention of the Commission, based on the Treaty provisions and regulation requirements, on early drafts was critical in this strengthening (Bradley 1999, 250-251). Environmental investments, under the Environment Services OP, were designed to fill existing environmental infrastructure deficiencies that were considered barriers to the creation of new enterprises and an impediment to the expansion of existing business (European Commission 1994). Hence, they were linked with the priority of strengthening the country's competitiveness. The needs of Ireland must not be underestimated. In 1995, of 110 landfills in operation only five had the proper lining. In 1996, the only modern landfill in operation had been financed by the Cohesion Fund (Geldermann 1996, 144). Moreover, most of the sewage sludge was dumped into the sea (Geldermann 1996). Consequently, the funding focus fell mostly on the provision of water supply, wastewater treatment infrastructure, and solid waste management. Limited funding was also provided to other priorities such as coastal management and protection, environmental monitoring, and research and development (European Commission 1994).

The primary objective of the second programming period was to enhance Ireland's economic performance, even if, in accordance to EU regulation, it was envisioned to be implemented "through sustainable growth and development" (European Commission 1994). The reference to both "growth and development" is particularly confusing and demonstrates that the notion of sustainable development was not yet clear.

With the rapidly rising economic performance of the Irish economy in the 1990s, it is not surprising that the third programming period set as its main objective the consolidation and sustainable economic and employment growth, together with regional development, social inclusion and the protection and improvement of the environment. It is worth mentioning that EU funds accounted for less than 10% of the NDP-planned budget (Ireland CSF III, 5). In accordance with the evolving European regulations, greater attention was given to the environment. Illustratively, the potential negative environmental impacts of the activities funded by the 2000-06 CSF were acknowledged. Hence, both the NDP that Ireland developed and the CSF were subject to a pilot eco-audit, in the form of a comprehensive environmental appraisal (NDP 2000-06 Ireland, 220-221). This was at the level of policies and programmes rather than at the level of projects similar to what would later become the requirement of the Strategic

Environmental Assessment (SEA) directive. Due to strong pressure on sustaining economic growth and emphasis on the absorption of every euro available due to the declining contribution of the structural funds to the Irish economy, environmental considerations became secondary compared to economic issues (Berger 2003, 230).

Similarly to the second programming period, infrastructure deficits were considered a weakness of the Irish economy (NDP, 2000-06, 35-36). Combining the three separate OPs that had been developed during the 2nd programming period into one, the Economic and Social Infrastructure OP implemented during the 2000-06 programming period was designed to fund the country's economic infrastructure – roads and public transport – and environmental and energy infrastructure. With respect to the environment, the main emphasis was on compliance with the EU environmental directives and policies and the improvement of environmental infrastructure (NDP 2000-06 Ireland, 23). In other words, the priorities to be funded remained largely the same. Wastewater treatment and water distribution facilities concentrated a large portion of the available funding of the Economic and Social Infrastructure OP. Funding for waste management improvements as well as for fostering implementation of the newly adopted (at the time) Water Framework Directive (2000/60/EC) was also provided from this OP (Connaughton 2005, 44; 47). The main funding priority was to build adequate sewage facilities, a priority supported mainly by the Cohesion Fund. For this reason, initially 100% of the Cohesion Fund's environmental budget had been allocated to the construction of three wastewater facilities (RGL Forensics 2011, 80). Later, a solid waste management project was also added. It is interesting to note, that although Ireland could have financed also smaller wastewater facilities through the Cohesion Fund, it preferred to direct these funds to the construction of two road projects (Interview #28). Given the growth rates of the economy, Ireland expressed its determination to disengage from European requirements and committed to financing its remaining environmental infrastructure needs through national funds. Ireland has been particularly resistant to the requirement of the application of the polluter-pays principle and to imposing fees on the use of drinking water and waste-water facilities. This had been a constant point of contention with the Commission, which based on the Treaty's environmental provisions has insisted on the application of this principle in EU co-financed projects (Interview #28). Efficient absorption of funds was the main factor in selecting projects to be funded during the last round that the country was eligible for support through the Cohesion Fund.

As already mentioned the NSRF that was developed for the current 2007-13 programming period constitutes a very small portion of the corresponding 2007-13 NDP. Ireland is no longer eligible for convergence funding. As a result, the investment profile of the country has changed, perhaps for the first time since 1988. The main emphasis has been on innovation, research and development, and competitiveness. The NSRF followed closely the Commission requirements according to which competitiveness regions would earmark 80% of their interventions to the Lisbon Strategy (McMaster 2008, 103-108). The environmental chapter of the NDP for the 2007-13 period resembles the provisions of previous CSFs. More than 70% of the investments are targeted at infrastructure projects, namely in public transport, water services, and waste management (NDP 2007-13, 115-116).

The two regional OPs, both qualifying under the regional competitiveness and employment objective of the cohesion policy, include sustainable development as an overarching objective in accordance to the EU regulations (BMW OP 2007-13, 45; S&E OP 2007-13, 53). Similarly both include an environmental priority axis. The BMW OP includes an “Environment and Risk Prevention” priority axis, whereas, the S&E OP includes an “Environment and Accessibility” priority axis. The interventions planned are not particularly different from those included in the sectoral OPs of previous financial periods. Basic infrastructure, but on a smaller scale, retained its prominence (BMW OP 2007-13; S&E OP 2007-13). Funding allocated to this priority is considerably less than in previous programming periods. However, this is not an indication of a turn towards sustainable development; rather it a result of the smaller size of the EU contribution to the 2007-13 programming period in Ireland, as well as a result of the regulatory constraints imposed on competitiveness regions (Drudy 2010).

The review of the structural funds since 1988 reveals that Ireland has applied the EU funds in its own distinct way, giving emphasis to economic growth. During the early programming periods, emphasis was given particularly to the development of the country’s human resources. Upgrading the country’s physical infrastructure was also an important priority for Ireland. While clear priority was given to transport investments, environmental infrastructure projects also secured EU funding. The effectiveness of the use of the funds, however, can be questioned given recent Court rulings against Ireland specifically regarding failure to comply with the provisions of the EU Urban Waste Water Treatment Directive.[88]

The reliance on structural funds rendered the Irish economy vulnerable to a gradual reduction in the availability of EU funds. It has been argued that the reduction of funds could lead to a potential slowing down or even recession of the Irish economy (Laffan and O'Mahony 2008, 238; Coleman 2001). The macroeconomic impact of the structural funds in Ireland is not within the scope of this research. However, the financial crisis that is a result of compounding factors – national and international – no doubt raises questions on the viability of the Irish economy, especially as less than a decade ago it was presented as the EU's miracle story. The overall conclusion, therefore, is that "Ireland is not an exemplar case in applying sustainable development" and that the country "has been more concerned with structural funds than sustainable development" (Mullaly 2004, 38). The main priority for Ireland has been short-term economic growth rather than environmental integration and achieving sustainable development.

[88] Most recently the Court has ruled again Ireland on two occasions:

- 29 Oct. 2009 Case C-188/09 due to the failure of Ireland to ensure that more than 400,000 septic tanks in the Irish countryside satisfy the standards set in the EU legislation (91/271/EEC). In May 2011, as Ireland failed to comply with the decision of the court, the European Commission announced its intention to refer the country again to the Court, threatening the imposition of both a lump-sum fine and a daily penalty (European Commission 2011a).
- 11 Sept. 2008 Case C-316/06 as Ireland had failed to provide secondary treatment of urban wastewater within the deadline provided by the Urban Waste Water Treatment Directive to seven agglomerations.

Portugal

Brief overview

Portugal joined the European integration process in 1986, 11 years after the Carnation revolution overthrew the dictatorship of the *Estado Novo* that had been in office for more than four decades. Portugal, a former naval and colonial empire, had lost control of most of its African colonies following a long war which attempted to suppress the self-determination uprisings of the overseas provinces in the 1960s. The country's accession coincided with that of Spain, completing the southern enlargement of the EU, at least with respect to peninsular Europe.[89] Similarly to the case in Greece, membership to the EU had political significance. It confirmed the democratic consolidation of Portugal and signaled an end to the years of isolation the dictatorship had imposed (Royo and Manuel 2003, 16).

As the country joined the European Community, it was the second poorest member state, following Greece. Until the early 2000s, the Portuguese economy was demonstrating signals of growth, with the focus of its economy being on low-tech industry (Pontes 2000; Barry 2003b). Portugal's growth was steady and not as substantial as that of Ireland. Since the mid-2000s however, the country has been marked by a loss of competitiveness. In addition, structural weaknesses and instances of mismanagement of public finances since the reinstatement of democracy led to a significant rise in the country's sovereign debt. Endogenous factors as well as the unfolding European financial crisis resulted in rising interest rates to refinance the country's sovereign debt by early 2011. Following Greece

[89] In 2004, the Mediterranean island states of Malta and Cyprus also joined the European Union.

and Ireland, Portugal became the third country to file for a bailout and the second to make use of the European financial mechanisms established by the EU in 2010. A financial package of €78 billion was approved in May 2011 (Council of the European Union 2011c). An austerity package together with a plan for structural reforms has also been agreed upon. The present crisis raises doubts about the model that the Portuguese economy was following, and, within the context of the present study, the extent to which it was sustainable.

Environmental policy in Portugal

Portugal's entry to the EU coincided with the adoption of the Single European Act (SEA) and the addition of an environmental chapter to the Treaty. Until joining the EU, the country lacked a legal and policy framework to protect the environment. Hence, the evolution of its national environmental policy is marked by its membership to the EU and almost inseparable from the evolution of the European environmental *acquis* (Rato, Gomes and Rodrígues 2006, 94). While benefiting from the higher environmental standards that the EU imposed, adaptation to these European requirements has been slow (Rato, Gomes and Rodrígues 2006, 82-83). Transposition of directives has often been delayed, while implementation has often been inadequate. Consequently, the Court has ruled against Portugal on several occasions, regarding either delayed transposition or inadequate implementation.[90]

[90] For example, with respect to delayed transposition three cases for which the Court has ruled against Portugal from the last decade are noted:

- 24 May 2007 Case C-376/06 due to failure to transpose the SEA directive (2001/42/EC) within the prescribed deadline.
- 2 Dec. 2004 Case C-48/04 due to failure to transpose Directive 2000/76/EC on waste incineration of waste.

Portugal's main concern has been its economic development. A country with weak environmental tradition, it joined Greece and Ireland in seeking exception from the application of additional European environmental standards, delays in the implementation of environmental directives, or compensation to cover the cost of execution of the provisions (Knill & Liefferink, 2007, 91; McCormick 2001, 88; Börzel 2005b, 172). As a result, Portugal is considered, together with the other cohesion countries, an environmental laggard among the EU member states (Börzel 2005b, 170). In order to improve its record and implement the environmental *acquis*, Portugal has joined other cohesion countries in demanding financial support from the EU (McCormick 2001, 54; Weale et al. 2004, 45).

Cohesion policy in Portugal

The Iberian enlargement of the EU coincided with – if not triggered at least in part – the 1988 Delors reform of the structural funds. A country whose economy was lagging behind, Portugal became immediately eligible for structural funds with the whole country qualifying under the objective 1 status. Access to the structural funds exerted great influence on Portugal, as absorption of the funds became a government priority and a strong incentive to continue implementing reforms that were already underway since the establishment of democratic rule in the mid 1970s (Royo and Manuel 2003, 24; Rato, Gomes and Rodrígues 2006, 80-83).

- 10 Apr. 2003 Case C-392/99 due to incomplete transposition and inadequate implementation of Directive 75/439/EEC on waste oils.

The legacy of Portugal's imperial past and years of authoritarian rule has been a centralized system of governance. In order to secure access to the funds, this system had to be adapted to the requirements of the EU regional policy. Prior to accession, Portugal had two layers of government: the central government, where most power was concentrated, and the municipal, local level. The regional level that was required by the EU was missing. Hence, new institutions had to be formed. Specifically, in the 1990s seven regions were created. Two of the regions, the island regions of Azores and Madeira, pre-existed having been recognized as autonomous by the 1976 Constitution, which provided for a regional level of governance. The reforms of interest within the context of this study concern the five mainland regions that were established in the 1990s. These mainland regions were not granted actual authority. Instead, each of the regions was to be administered by a Regional Co-ordination Commission (RCC), which constituted a branch of the central administration (Hooghe and Marks 2001, 201-201; Balchin and Sykora 1999, 86). Despite a constitutional provision for administrative elected regions, attempts to devolve power have failed (Magone 2006, 216-217). A proposal to transfer additional powers to the regions failed in a referendum that was held in 1998 (Nanetti, Rato and Rodrigues 2004, 409). In other words, while a new layer of government between the preexisting central and municipal levels was created, it has led only to a system of weak multi-level governance, at least on the continent (Leonardi 2005, 24). Evidently, from the attempts to regionalize and decentralize power that EU membership prompted, "Portugal's national level of government [is] in the winner's seat" (Nanetti, Rato and Rodrigues 2004, 424-425).

In spite of formal conformance to European requirements, therefore, the central administration continues to dominate Portugal's regional development (Bache 2008, 62; Hodgett et al 2003, 212). Consequently, the application of the cohesion policy in Portugal, in terms of strategic priorities, allocation of available funding, and selection of projects has been largely decided at the national level through the Ministry of Regional Development and the Environment. The coordination and policy-making were undertaken initially by the Directorate General of regional development of the ministry. Following a reorganization of the ministry the Financial Institute for Regional Development (IFDR) was established taking over the previous responsibilities of the Directorate General in 2007 (IFDR 2011). The role of the central government has been supported by a qualified public administration having centuries-long experience in governing overseas territories and addressing the concerns of the country's autonomous territories, since the mid-1970s (Nanetti, Rato and Rodrigues 2004). However (in)effective, the former imperial Portuguese administration was not unfamiliar with the challenges of overseeing territories of different status. Moreover, Portuguese authorities are supported by expert technocrats and specialized consultants of high administrative capacity (Interview #10). Such capacity has proven essential in supporting the Europeanization process of the country and has supported the application of the structural funds.

Since becoming a member state, Portugal's economy was more or less on a steady track of growth. At the time of accession, Portugal's per capita income was at 55% of the EU average – much lower than the rest of Europe. By 1999, the income level had reached 71.8% of the EU average (Magone 2006, 6). Indeed, evaluations of the first and second programming periods demonstrate that EU funds contributed to the growth of the Portuguese economy by 8.5% – the second strongest positive effect on growth after Greece (European Commission 2001b, 131). Despite such promising growth rates early on, the overall record of Portugal's economic growth has been modest. Countering the trend in other cohesion countries, the process of economic convergence was slow and slowed even more in the early to mid-2000s falling below the EU average and entering a phase of divergence (European Commission 2007, 5). "In 2005, the average standard of living in Portugal – measured in per capita GDP at purchasing power parity (PPP) – stood at 71% of the EU25 average, a figure similar to that observed in the mid-1990s" (NSRF Portugal 2007-13, 15; European Commission 2004, 3-4). In 2008, Portugal had the lowest GDP per capita of the EU-15,[91] lower than some of the new member states, such as Cyprus, Slovenia and Czech Republic (European Commission 2010c, 2). As mentioned already, the country lost its competitiveness and entered a recession and, more recently, a period of severe financial instability.

The record of economic divergence of Portugal from the rest of the EU, however, does not apply only at the country level. While Portugal has benefited from joining the EU, receiving significant funding through the EU's regional policy, the country continues to face internal regional disparities. As a result, divergence of several of its regions from the EU economic average persists. This trend may have been heightened because of Portugal's own choices in allocating the EU funds at the country's regional level. The coastal urban area of Lisbon,

[91] The EU-15, referred to also as the old member states, are the 15 western European countries that comprised the EU prior to the 2004 enlargement.

and, to a lesser extent, Porto, constitute centers of economic growth, while the inland and more remote areas lag behind and are at an even lower level of development compared to the EU average GDP per capita (Nanetti, Rato and Rodrigues 2004, 409; Balchin and Sykora 1999, 87). Lisbon not only controls the country's political power and administrative capacity, but also concentrates its economic activity, having benefited disproportionally from Portugal's industrialization (Cabral and Rato 2005, 211). In the early 1990s, while also lagging behind the European average with a GDP per capita at 77% the EU average, its economic status was much higher than the poorest of Portugal's regions, which at the time had a GDP per capital of only 34% the EU average (Balchin and Sykora 1999, 87).

The allocation of the structural funds has not reflected the above mentioned internal regional disparities. Being the country's political, economic and cultural "powerhouse," the Lisbon and Tagus Valley Region has been a main beneficiary of structural funds (Nanetti, Rato and Rodrigues 2004, 415). By the late 1990's, GDP per capital in Lisbon was at 90% the EU average, while regions such as Alentejo and the island regions of the Azores and Madeira had a GDP per capita at 50% or 60% of the EU average (CSF III, 11). It seems, therefore, that the application of the structural funds has not helped bridge the gap between the capital and regions of the country's interior. In fact, it may have accentuated regional inequalities. As expected, therefore, while most of the country retained its objective 1 status during the 2000-06 programming period, the region of Lisbon and the Tigus Valley qualified as a phasing-out region. Similarly, during the 2007-13 programming period, Lisbon was eligible for funding under the regional competitiveness and employment objective while the rest of the country fell under the convergence objective even as the Algarve region qualified as a phasing-out region. The island region of Madeira was eligible for funding as a phasing-in region. Hence, for the first time, the funding allocated to Lisbon constitutes only a small percentage of the country's total. Specifically, more than 90% of the €21.5 billion allocated to Portugal was channeled to the convergence regions, with Lisbon receiving no more than €490 million during the 2007-13 programming period (NSRF Portugal 2007-13). This crucial change has unclear consequences on the country's economy, which are beyond the scope of this study to assess.

Cohesion policy: contributing to sustainable development in Portugal?

Economic convergence towards the EU average and economic and social cohesion within Portugal have constituted the main strategic objectives of the country since 1988. The first CSF that Portugal implemented did not include the environment as a specific priority. Rather, the CSF included only the need to conform to the requirements of the European environmental legislation (Clement 2001, 101-102). Portugal's prioritization was similar to that of Ireland.

With the growing importance of environmental provisions in the Treaty and the regulations of the structural funds, Portugal's second CSF included a broad aim of "improving the environment in the perspective of sustainable development" among the country's considerations in preparation for the entry into 21st century (CIDEC 2003, 41-42). Environmental protection was listed under the strategic priority: promotion of life quality and social cohesion (CIDEC 2003, 44). In particular, the environmental objectives would be met through the OP entitled Environment and Urban Regeneration. The contribution of the ERDF to the program was approximately 67% of the total budget of the OP, which amounted to slightly less than €560 million. The ERDF allocation of funds to the Environment OP is significantly less than the €2 billion allocated from the ERDF to the Infrastructure to Support Development OP which accounted for about half of the OPs' total budget. The OP included mostly investments in transport infrastructure, but also telecommunications and energy infrastructure (European Commission 2011i).

The Environment OP was organized around two schemes. The first covered investments in solid waste management, nature conservation, development of coastal regions and the urban environment and environmental education. The second scheme focused on urban regeneration and specifically on the renewal of run-down areas as well as the preparation for the Expo '98 (CIDEC 2003, 45).[92] Although the environmental focus of Portugal's objective was to finance primarily the necessary measures in order to meet the requirements of the EU environmental *acquis*, more than half of the available resources were channeled to the second scheme of urban renewal (CIDEC 2003, 86-87; 131). EU funds were used specifically to support new transport infrastructure, such as a bridge over the Tagus, a new motorway, and the extension of the railway and train system upgrading the urban transport links to the Expo '98 zone, as well as to

[92] Expo 98 was a major urban development project that was planned to mark the 500th celebration of Vasco da Gama's arrival in India. The project aimed at revitalizing a disused, deprived and environmentally degraded area of Lisbon that would have an impact lasting much longer than the actual world exposition that took place during the summer months of 1998 under the theme "The Oceans, a Heritage for the Future" (Cabral and Rato 2005).

rehabilitate the area from abandoned industrial installations and remnants of the unused port (Cabral and Rato 2005, 213; 223).

The environmental agenda was supported by the regional OPs that particularly funded urban wastewater projects (CIDEC 2003, 74). In addition, environmental infrastructure projects would be financed through the Cohesion Fund. Indeed, with a strategic prioritization in place since 1995, Portugal made use of the Cohesion Fund, allocating, in 1997, 61.3% of the funds to environmental infrastructure projects; rather than transport projects (*The Impact of Community Environmental Waste Policies* 2001, 21; ECORYS 2005, 30). This high percentage for the particular year accounted for the implementation of several waste management infrastructure projects. Nonetheless, environmental financing aimed mostly at meeting the requirements of EU legislation and supporting Portugal's Expo '98 plans, without acquiring a horizontal dimension during the second programming period.

One of the very first projects that Portugal, with the support of European Commission, submitted for funding under the newly established Cohesion Fund (in 1993) was a segment of the Odelouca-Funcho water system in the country's southern region of Algavre (Thiel 2010, 50). The Integrated Surface Water Supply System had been in the minds of the Portuguese since the 1970s. It was aimed at providing water to satisfy growing needs for water that originated from a booming tourism sector in a region where 16 golf courses had been built by 1991 and an irrigation-intensive agriculture (Thiel 2010). In 1993, the European Commission approved to co-finance by 85% the last 900 meters of an 8 kilometer tunnel that would connect the Funcho dam – already under construction since

1986 – to the Odelouca dam that was being planned (Commission of the European Communities 1993).

The area where the Odelouca dam and its reservoir were planned was also proposed as a Natura 2000 site under the Habitats directive (92/43/EC) because of the presence of the highly threatened Iberian Lynx (*Lynx pardinus***)**. Consequently, the project was opposed by environmental NGOs, which were successful at initially suspending and then halting completely the European funding to the project in 2001 and 2003, respectively (WWF 2006, 61-63; Thiel 2010, 50). With regional and private funding in place of EU funding, the construction of the dam commenced again in 2007 and only after the European Commission closed the infringement process that was pending since 1992 (European Commission 2006). Several conditions have been set in order for the project to proceed, including compensatory measures for the conservation of the Iberian lynx in accordance with the provisions of the Habitats directive.

The above discussion seeks to illustrate the cautionary approach that is required when encountering the broad category of water infrastructure. Without a clear understanding of the exact nature of each individual project financed, the extent to which such infrastructure projects are indeed environmental is not clear. This was particularly the case during the earlier years of the application of the funds, but given the long project cycles of such large infrastructure projects, choices made in earlier periods influence the planning of the next funding cycles.

While progress was demonstrated with respect to some of the environmental objectives set during the second programming periods, others were not met (European Commission 2001b, 137; CSF III Portugal 2000, 16). The

ERDF and the Cohesion Fund had been designed in order to support cohesion countries in meeting the requirements of the EU environmental directives. The cohesion countries specifically were supported in order to build up their infrastructure in water supply, wastewater treatment and solid waste management. However, Portugal was not successful in meeting the environmental targets that it had set for the second programming period. As a result, it continued facing overwhelming deficiencies in environmental infrastructure (ECORYS 2005, 27). Consequently, many of the objectives set for the second programming period were extended and, in fact repeated, in the third programming period. Given the growing emphasis on sustainable development, Portugal's third CSF included the protection and improvement of the environment as a "transversal dimension" and a "constant concern", among the four main action priorities for the 2000-06 programming period (CSF III Portugal 2000, 34; 38; 106;). The four main priorities – axes – were: 1) improving skills among the Portuguese, promoting employment and social cohesion; 2) modifying the profile of production towards activities of the future; 3) asserting the value of the land and Portugal's geo-economic position; and 4) promoting sustainable regional development and national cohesion (CSF III Portugal 2000, 38). Environmental protection was mostly to be met through the third priority.

In fact, the third priority – asserting the value of the land and Portugal's geo-economic position – aimed at developing the country's infrastructure development, which would be financed through two sectoral OPs, one on transport and accessibility and one on environment, funded by the ERDF, with additional financing flowing from the Cohesion Fund. The priority received in total less than 10% of the total ERDF amount allocated to Portugal, a percentage, however, that more than doubled if the funding from the Cohesion Fund is also considered, becoming comparable to that of the two first priorities on human resources and the investments in the productive sectors. The regional OPs also included significant infrastructure investments, explaining the overall estimate of more than 40% dedicated to infrastructure provided by the European Commission (CSF III Portugal 2000, 120; European Commission 2004, 182).

The Accessibility and Transport OP was allocated approximately 80% of the available ERDF financing allocated to the third priority during the 2000-06 period (CSF III Portugal 2000, 162). While Portugal had made significant investments over the years in building its transport infrastructure, the density of the road network remained slightly below the EU average (European Commission 2004, 40). Given that road density has been one of the indicators determining allocation of European funding, in order to improve Portugal's record, ERDF and CF funding accounted for almost half of the country's total transport investment (European Commission 2010b, 80).

The Environment OP with the remaining funds, had two main environmental priorities to fulfill: first, promotion of sustainable management of natural resources, which included conservation measures for protected species and habitats, nature tourism infrastructure, local development in protected areas, conservation of the coastal zone, and rehabilitation of the national hydrographic lagoon network; and second, environmental integration in economic and social activities, which included measures to improve the urban environment and measures to promote eco-management and eco-innovation, through several actions such as the promotion of environmental certification programs (CSF III Portugal 2000, 109).

Most of the environmental funds during the 2000-06 period were to be dedicated for environmental infrastructure to water and waste infrastructure (CSF III Portugal 2000, 106-107). With only 28% of the population having access to a central sewage system, one of the lowest in Europe, and with close to 90% of solid waste dumped in landfills, it is reasonable that the development of environmental infrastructure was once more made a priority (European Commission 2001b, 53; ADE 2009a, 16; *The Impact of Community Environmental Waste Policies* 2001, 11). Waste water and drinking water received more than 40% of Portugal's environment funding of during the 2000-06 period from the Cohesion Fund (RGL Forensics 2011, 80).[93] The effectiveness of these projects is questioned since they were not integrated in a national strategic plan. For example, waste water treatment facilities were built, without being linked to a sewage network, rendering them practically useless (ECORYS 2005, 50). Nonetheless, it is estimated that at the end of the programming period, another 770,000 people had gained access to basic waste water facilities (European Commission 2010b, 98).

According to the *ex-ante* evaluation as summarized in the third CSF, the 2000-06 programming period was expected to contribute positively to the country's environmental sustainability (CSF III Portugal 2000, 157). Despite this recognition, there is an underlying notion that while the state of the environment would not improve if the economy were to remain stagnant, the cost of

[93] It should be noted that compared to the previous years, the distribution of funds from the Cohesion Fund between transport and environment was almost equal (RGL Forensics 2011, 78).

environmental protection can be financially supported only if there is economic growth (CSF III Portugal 2000, 156). Hence, environmental provisions of the programming period were minimal, focusing on respecting legal requirements and involving the environmental authorities at several levels of planning, managing and monitoring the application of the programming period (CSF III Portugal 2000, 183-184). In the *ex-post* evaluation, however, it became evident that within the environmental activities funded in the 2000-06 programming period, funding was concentrated on two specific measures, since more than 60% of the funding was channeled to reclaiming polluted areas and restoring the country's cultural heritage (European Commission 2010b, 93). In practice, the third programming period did not differ significantly from the second programming period.

Despite expectations of a major contribution to the improvement of the environment through financing provided by the 3rd programming period, Portugal's 2007-13 NSRF noted the deficiencies in the country's response to the significant environmental challenges it faces. Specifically, the NSRF lists water pollution and the challenge of transboundary water management with Spain; biodiversity decline; waste management; risk of natural disasters, such as coastal erosion, desertification and wildfires; and energy use and carbon intensity as important environmental challenges (NSRF Portugal, 34-35). While these issues are acknowledged, the main focus of the NSRF is the economic convergence of Portugal to the EU average. It is reminded that Portugal was witnessing a loss of competitiveness and a slowing down of its economy since the mid-2000s. The programming period, therefore, was designed in order to support the objectives of the National Action Programme for Growth and Jobs. In particular 82% of the structural funds have been dedicated to the implementation of the Lisbon Strategy (NSRF Portugal, 21, 83; European Union 2009). Accordingly, investments in human resources and human capital, covering such issues as education, training, and capacity building, account for more than 40% of the EU funds. Investments in the productive sectors that covered investments in industry, services and tourism sectors accounts for an additional 23% of the EU funds allocated, while basic infrastructure is *limited* to 21% of the funding, with transport accounting for close to half the infrastructure budget.

In accordance with the regulatory requirements, compliance with environmental requirements is considered of “transversal strategic importance” (NRSF Portugal, 14). Indeed, environmental priorities are not to be implemented under a separate operational programme; rather, environmental protection and improvement constitute one of the four main areas of the intervention of the Operational Programme on Territorial Enhancement (NSRF Portugal, 73-76). The relation to the environmental objective is stronger with respect to the regional OPs of the convergence regions (Telha and Gomes 2010, 10-11). However, in total, less than 5% of the EU funds for the convergence objective are allocated to the environment (NSRF Portugal). In the phasing-in regions, while the “environment and energy priority” have been allocated higher percentages of the total amount available, the relation is much weaker (Telha and Gomes 2010, 10-11). Moreover, only 1% of the EU funds are allocated to energy infrastructure. An additional element, compared to previous programming periods that features prominently in the NSRF is risk prevention. This is to be expected given the new financial opportunities that the fourth programming period regulations offered in this sector. Biodiversity and Natura 2000 needs were expected to be covered mostly from the European Agricultural Fund for Rural Development (EAFRD) (Lang 2007, 127).

Looking closely at the specifics, the list of measures to be funded is very similar to those of the previous programming periods. Water related infrastructure, solid waste facilities, nature conservation, sustainable management of natural resources, promotion of eco-efficiency, and enhancement of the coast feature prominently among the EU-funded priorities. The ineffective use of the funds in the past is revealed not only by the fact that the main funding priorities remain the same, but also by looking at the deficiencies of the country in terms of meeting the EU environmental requirement. While Portugal has been investing heavily in environmental infrastructure over the past three cohesion funding cycles, during the last 10 years, the country has been convicted on several occasions due to its inadequate implementation of the drinking, wastewater and waste directives.[94] Particularly striking among these cases is Portugal's conviction in 2009 for the lack of secondary urban wastewater treatment in the country's capital. As a result, the application of the structural funds in Portugal in terms of attaining sustainable development has been rather unproductive.

[94] Indicative some of the most recent cases that have led to a conviction of Portugal at the Court are provided:

- 10 June 2010 Case C-37/09 due to illegal disposal of the waste, using a quarry and failing to implement the provisions of Directive 2006/12/EC, which updated Directive 80/68/EEC.
- 7 May 2009 Case C-530/07 due to failure to fulfill the provisions of the Urban Wastewater Directive (91/271/EEC), as seven agglomeration did not have a sewage system to collect their wastewater, while 15 others, including Lisbon do not have a secondary treatment for their waste water.
- 8 May 2008 Case C-233/07 due to lack of primary treatment of urban wastewater prior to discharge at sea by the agglomeration on the Estoril coast, not even during the bathing season, with adverse effects on the environment.
- 29 September 2005 Case C-251/03 due to failure to meet key requirements of the Drinking Water Directive ensuring that water quality was safe for human consumption (80/778/EEC).

Hungary

Brief overview

Being the communist country that first opened its borders to the west in 1989, Hungary triggered the fall of the Iron Curtain. Soon afterwards, Hungary was the first among the Central Eastern European (CEE) countries to apply for EU membership and, together with Poland, the first of the eastern European countries to sign an association agreement in 1990. The country has since embarked on a journey of political and economic transition – indeed, one of systemic transformation (Bradshaw and Stenning 2000, 12). Hungary was considered a successful candidate scoring high in most pre-accession progress assessments (Seleny 2006, 259). Following a referendum that granted public approval, Hungary signed the Accession Treaty, becoming one of the 10 countries that took part in the largest (and the first eastern) enlargement of the European integration in 2004. Undoubtedly, by joining the EU, Hungary solidified its democratic, western, and market-driven orientation.

In view of accession to the EU, Hungary implemented a series of structural reforms that have continued post-accession, to enable implementation of the EU *acquis*. Hungary's successful transition period can be attributed to the reforms and the underlying state-society relations that characterized the country in the post-1956 period (Seleny 2006, 264). In addition, assistance has been provided for support of administrative and institutional reforms that would lead to a restructuring of Hungary's centralized governance system. Hungary's economic record since the regime change has not been without problems. Economic instability, leading to depreciation of its currency and the adoption of several austerity packages, has marked recent years.[95] Faced with difficulties in servicing its growing sovereign debt, Hungary has received considerable European and international financial assistance. As a result, Hungary's economic development model does not seem to be on a sustainable track.

Environmental policy in Hungary

Compared to some of the heavy industrialized old EU member states, CEE countries enjoy a relatively high biodiversity, a high share of public transport, and low material intensity (Maier 1999, 17). Nonetheless, the environmental legacy of the communist era was one of intensive exploitation and degradation of natural resources. Hungary was no exception. An important clarification is deemed necessary. While Hungary's official environmental policy was weak, the environmental movement in Hungary was exceptionally strong for a communist country. Either by opposing the Gabcikovo-Nagymaros dam or by undertaking local grassroots actions, the Hungarian Green Movement gained legitimacy and even state recognition, contributing both directly and indirectly to the regime change. Danube Circle was one of the leading civil society organizations in CEE before the fall of the Iron Curtain. The movement entered into a transition period in the early years following the change in regime until it reorganized under the new circumstances (Duijvelaar 1996).

Shutting down inefficient, polluting industries, similarly to other CEE countries when the communist regime fell, improved the country's state of the

[95] Since Hungary is not a member of the Eurozone, it maintains control of its monetary policy.

environment. In spite of immediate environmental benefits, pollution has remained a major concern (Karl, Ranné and Macquarrie 2000). Many degraded areas require rehabilitation, which is a long and expensive process. Furthermore, the market-based model Hungary has been pursuing has its own technological and consumption footprint, which Hungary has to address. Environmental protection needs to find its place within the priorities of economic development and political consolidation.

Accession to the EU has served as a strong incentive for environmental policy change. Throughout the pre-accession process, it was considered insufficient simply to transpose the European legal framework. Instead, it was necessary to build the institutions that would later implement environmental provisions (Christiansen and Tangen 2002). Therefore, Hungary adjusted both its legal framework and institutions to the requirements of the European *acquis* (VanDeveer and Carmin 2005, 290). Despite this process of institutional adaptation and apparent progress in adopting the European legal requirements, Hungary has been lagging behind in implementation (Futó, Pálné Kovács and Fleischer 2006, 132). To date, Hungary has not been convicted at the Court on an environmental case. At the end of 2009, however, the European Commission had 11 open infringements against Hungary, a signal highlighting the attention that environmental protection requires (European Commission 2011h).

Cohesion policy in Hungary

Almost immediately following the fall of the Iron Curtain, together with Poland, Hungary was the first eastern European country to receive European aid in support of the ongoing process of economic and social reform. The Poland and Hungary: Assistance for Restructuring their Economies (PHARE) Programme was established specifically for this purpose in 1989 (Council of the European Communities 1989). Since then, the EU has become the strongest influence on Hungary's transition, shaping its institutional reform (Futó, Pálné Kovács and Fleischer 2006, 127).

Furthermore, the Instrument for Structural Policies for Pre-Accession (ISPA) and the Special Accession Programme for Agriculture and Rural Development (SAPARD) were established to finance economic and social development in the accession countries, prior to joining the EU as full members (Council of the European Union 1999a; 1999c). While SAPARD was aimed at farming activities and the rural areas in line with the rural development funds from which EU member states benefited, ISPA had been designed under the Cohesion Fund model to co-finance investments in the transport and environment sectors. From 2000 until accession, Hungary was allocated approximately 10% of the ISPA budget (RGL Forensics 2011, 36). For Hungary, ensuring absorption capacity became immediately a top priority (Bachtler, Downes and Gorzelak 2000, 372). These funds supported the adjustment process toward accession while also familiarizing future member states with the requirements, conditions, processes, and methods of the cohesion policy.

As the enlargement date approached, it became evident that membership of the CEE countries, whose economic, social, and environmental indicators lay below the corresponding EU average, would constitute a major challenge for the EU cohesion policy (Allen 2008, 21-24). The eastern European countries would require significant investments mostly from the structural funds, since it was clear that disparities in income among new and old member states would be significant. Indicatively, Hungary’s per capita income in 1993 was less than half that of Greece (Bachtler and Turok, 1997, 350). Upon joining the EU, Hungary expected to support its economic and social cohesion through the structural funds (Horvath 2000, 433).

Although funds had been set aside for the new member states, the fact that enlargement took place in the middle of a financial cycle meant that the available funds were not of the scale initially expected. For example, Hungary’s combined ISPA and Cohesion Fund allocations were about half the Cohesion Fund allocations that Greece and Portugal received in the 2000-06 programming period, even if in relative terms the allocation accounted for an equal percentage of their GDP (RGL Forensics 2011, 49-50). Hungary received the second largest share of the Cohesion Fund allocated to the new member states (RGL Forensics 2011, 75). Despite the pre-accession assistance, many management problems, relating to project preparation and selection as well as other issues such as inadequate public procurement processes created several delays in the implementation of the first funding cycle (Baun and Marek 2008, 253). Thus, Hungary’s first programming period as an EU member state was a learning process (EPRC 2009a). During the 2007-13 programming period, Hungary has been allocated €25.3 billion, placing it sixth in terms of EU funding allocation.

Hungary emerged as a newly independent country out of a centralized communist system of governance, despite the reforms of the post-1956 period that granted limited freedom to local authorities (Pálné Kovács et al 2004, 432).

During the early years of democratic transition, the system remained largely the same, with power split between the central government and two levels of local government: municipalities and counties. In order to ease the process of institution-building and help build democratic processes, PHARE projects contributed also to the promotion of democracy and the empowerment of the country's civil society (Drevet 2000, 350).

The first significant governance reforms resulting in devolution of the country's administration did not emerge until the mid- to late 1990s. The availability of structural pre- and post-accession funding has been instrumental in the process, prompting change in different aspects of the country's governance (Bache 2008, 76-77; Drevet 2000). In 1996, Hungary defined the framework and the institutions for the country's regional development, leading the way once more by being the first among the CEE countries to initiate a major reform at the regional level (Bachtler, Downes and Gorzelak 2000, 367). Regional Development Councils (RDC), at the city, county, and national levels were formed as *fora* for dialogue and consultation (Pálné Kovács et al 2004). The RDCs set the foundation for the implementation of EU policy later. Additional provisions and adjustment were necessary, however, in order to meet the preconditions for cohesion funding. Hungary had to designate territorial units at the NUTS 2 level, which according to EU requirements is the appropriate level for implementing programmes co-funded by the EU. Preexisting counties could not qualify for this level and were designated at the NUTS 3 level (Horvath 2000, 429-433; Horvath 2008, 190). Indeed, three years later, Hungary amended the 1996 law and designated seven NUTS 2 level regions. These regions simply met the Eurostat requirements and were not granted administrative or other roles. These early reforms were necessary for Hungary to qualify for the new pre-accession funds available, which were modeled based on EU cohesion policy requirements.

More than a decade after the change of regime, regional governance had not become a priority, despite the fact that the transition period had sharpened preexisting territorial disparities that the communist regime had not been able to adequately address (Balchin and Sykora 1999, 175). Economic activity concentrated around Budapest and the central and western part of the country. Regions in the north and east of the country that had been industrial and farming centers witnessed a decline in activity and had to adjust to the new circumstances (Horvath 2008, 189; Pálné Kovács et al 2004, 433). The gap between various regions increased. Although it seemed that Hungary had come to appreciate the need to address these regional inequalities, establishing a Ministry of Environment and Regional Policy, the commitment is questioned as regional policy was not able to settle in any one ministry for several years (Bachtler, Downes, and Gorzelak 2000, 265). Similarly, while a national Regional Development Fund (RDF) was established, financing was directed mostly to those regions that were economically more advanced (Balchin and Sykora 1999, 178). In the transition period, emphasis was given to developing the capital and few other urban regions, leaving behind investments in those regions most in need (Horvath 2000). Striking and growing regional disparities have persisted throughout the 2000s.

Application of the structural funds, with their statutory objective of addressing regional disparities, offered an opportunity to reverse this trend. However, the limited funding that Hungary received during the first two years of its membership rendered it unlikely that structural funds would have been sufficient to reverse the trend of growing regional disparities. Based on its earlier experience, Hungary's funding allocations reflected national economic priorities, rather than addressing structural weaknesses and regional disparities. Hungary's development plans have been prepared "on the basis of sectoral and macropolitical goals" (Horvath 2008, 202).

The fact that the Office of National Development and EU Support of Hungary (NDO) managed centrally the implementation of the one and only regional operational programme that was implemented during 2004-06 demonstrates the weakness of the regional dimension in Hungary's programming. Only upon the insistence of environmental and other NGOs, which had regained prominence following the period of transition, the regional OP was divided into sub-programmes (CEE Bankwatch Network and Friends of the Earth Europe 2002, 81-85). However, the fraction of funding dedicated to regional convergence was controlled by the central government.

During the current 2007-13 financial period, rather than one Regional Development OP, seven distinct regional OPs have been implemented. This is the first time that Hungary has made a real attempt to regionalize its development policy, including regional development as one of the NSRF's six priority areas to be funded not only through the regional OPs, but also through the sectoral OPs, and specifically the Economic Development, Social Renewal, and Social

Infrastructure OPs (NSRF Hungary, 75; 114). The need for a regional approach is supported by the fact that regional inequalities have grown larger. While income in Budapest in 2007 was at 89% of the EU average, the regions of North Hungary and North Great Plain were at 36% (NRSF Hungary, 28). Budapest and its surrounding areas have always dominated Hungary, however, the polarization of the country has never been as great (Horváth 2008, 188). The region of Central Hungary, where Budapest is located, qualified as a phasing-in competitiveness region, a status that took Lisbon and Athens several funding cycles to achieve. Nonetheless, the budget of the Central Hungary OP, with respect to EU contribution, is by far the largest among the ROPs, at €1.5 billion, compared to €4.3 billion dedicated to the remaining six ROPs (NSRF Hungary, 135-136). At the same time, the three least developed regions have been allocated less than half the budget destined for ROPs, which in turn is about 23% of the total funding available to Hungary for this programming period (Bartha, Nagy and Gyukics 2010, 8-9). The country's centralized legacy of government has remained strong in concentrating funding in Budapest and resisting pressures to change.

To date, the role of regional government remains unresolved, without a clearly defined position within the country's governance structure (Horvath 2008, 191). Regional development councils have been dominated by central state officials, becoming an extension of the state administration (Ilona et al 2004, 445). Rather than promoting regionalization, the institutional reforms "led to the strengthening of the 'gatekeeper' role of the central state and eventually to the recentralization of the policy process" (Pálné Kovács et al 2004, 442).

Cohesion policy: contributing to sustainable development in Hungary?

Within the context of Hungary's adjustment to the EU, structural funds could play a crucial role in supporting the country's path of improving its natural environment (Bachtler, Downes, and Gorzelak 2000, 373). In the early pre-accession programming period, projects supported by PHARE had both positive and negative environmental impacts, highlighting early on both the potential and the risk involved in the application of EU funds (Maier 1999, 49-52). It should be remembered that this was the same period during which the renewed cohesion policy was becoming operational following the 1988 Delors reform. The mixed record, therefore, of the much smaller in terms of budget PHARE programmes, were similar to those that arose in the first CSFs implemented in the old member states. The situation did not change when ISPA funding, with half of its budget dedicated specifically to the environment, became available. Actually, it has been noted that while half of the ISPA funds were intended for the protection of the environment, the other half, related to transport, led to its degradation (CEE Bankwatch Network and Friends of the Earth Europe 2002, 18). Lack of transparency, inadequate processes of environmental appraisal and impact assessment, and limited application of the partnership principle have been presented as reasons for the negative environmental consequences of the pre-accession projects funded by the EU (CEE Bankwatch Network and Friends of the Earth Europe 2002; 2004). These observations serve as a prelude to Hungary's prioritization in the post-accession phase.

In view of the 2004-06 financial period, as already mentioned, Hungary prepared a NDP with the main aim "to reduce Hungary's income gap relative to the EU average" (Horvath 2008, 192). Based on the NDP, the CSF also set convergence with the level of socioeconomic development of the EU as its overarching objective (CSF 2004-06 Hungary). Moreover, the CSF included the improvement of competitiveness, employment, and the environment as strategic priorities that would strengthen the framework for the development of Hungary's market economy.

Sustainable development was recognized as a horizontal principle that the CSF *should* respect. However, the principle was interpreted in a very narrow sense as being linked to compliance with environmental law (EPRC 2009a). This provision was similar to the provisions that the 1994-99 regulation required. In particular, emphasis was placed on the need to respect the provisions of the two main nature directives, the Habitats and Birds directives, as well as, the requirements of the EIA directive – the directives with which conflicts more often arise (CSF 2004-06 Hungary, 71). These provisions were in accordance to the Commission guidance. Environmental safeguards were included across operational programmes. For example, the managing authorities of the Environmental Protection and Infrastructure OP (EIOP) and the Economic Competitiveness OP (ECOP) were to pay particular attention to the issue of sustainable development, through various tools such as training of staff and the provision of relevant technical assistance, the participation of the Ministry of Environment and Water in the project selection process, and the participation of environmental actors in the monitoring committees. Managing authorities were to prefer environmentally friendly projects, based on loosely defined criteria, which required simply meeting the standards set by the environmental legislation. The characterization is quite weak, if not surprising, given the general EU regulation provisions (ECOP 2004-06 Hungary, 146; EIOP 2004-0 Hungary, 97-98). Hungary's 2004-06 programming period was developed based on the 1999 structural funds regulations. Given that Hungary was a new member state, it was important to emphasize the EU environmental requirements, which were still not fully incorporated in national practice. Despite integrating more environmental provisions, compared to those that the EU-15 were required to apply, the fact that the main criterion for environmental integration was implementation of legal provisions constitutes a weak safeguard.

At the same time, it may constitute a response to the fact that the SWOT[96] analysis included in Hungary's ECOP identifies the adoption of stricter environmental regulation as a potential threat to the development of domestic enterprises, raising doubts on the extent to which even the narrowest interpretation of the sustainable development principle had been, in fact, accepted (ECOP 2004-06 Hungary, 58). Nonetheless, the ECOP included measures to fund environmental technology and environmental management for small and medium enterprises. The overall approach of the ECOP to the environmental integration requirement was characterized as "flexible and selective" in the OP's *ex-ante* evaluation, a summary of which is included in the final text of the OP approved by the Commission (ECOP 2004-06 Hungary, 166). In other words, the requirement did not guide consistently the design of the ECOP.

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[96] SWOT Analysis: An analysis of Strengths, Weaknesses, Opportunities, and Threats that is commonly present in most programming documents, as it is used during the drafting process in order to assist responsible authorities in selecting appropriate objectives and measures for the respective CSF, NSRF, and OPs.

An important step forward seems to have been the recognition of environmental protection as a contributing factor to balancing regional differences across the country (Horvath 2008, 193). Hence, the environmental dimension was more strongly integrated in the ROP. This was a dimension that was strengthened while the NDP was being drafted, as environmental NGOs insisted upon the need for greater integration of both the regional and the environmental dimensions (CEE Bankwatch Network and Friends of the Earth Europe 2002, 81-85). Subsequently, the National Society of Conservationists, one of Hungary's most prominent environmental NGOs with roots in the Green Movement, was hired in order to evaluate projects financed under the ROP (CEE Bankwatch Network and Friends of the Earth Europe 2005, 12). This was an exceptional arrangement.

As already mentioned, however, regional development has gained ground very slowly. Instead, national economic priorities such as closing the infrastructure gap constituted Hungary's top priority for the 2004-06 programming period. The EIOP was prepared with two specific priorities: environmental protection and transport infrastructure development. The EIOP was allocated approximately 25% of Hungary's CSF funding, while the objectives of bridging the infrastructure gap were also supported by the total amount (€1.1 billion) available via the Cohesion Fund. Financial support from the Cohesion Fund was of the same scale as the whole ERDF allocation to Hungary for the programming period (CSF 2004-06, 125). Transport and environment were allocated equal share of the Cohesion Fund, while transport was allocated 57% of the ERDF funding available for infrastructure (EIOP Hungary 2004-06, 85).

It should be noted that Hungary inherited from its Communist past an extensive rail network in need of modernization. While funds were dedicated to the railway, road transport development became the main priority, on the following grounds:

> Road transport is seeing dynamic growth, particularly as Hungary is a transit country with increasing local and international road traffic. Demand for cars is also increasing because this kind of transport is more comfortable and flexible than railway (EIOP Hungary 2004-06, 50).

Hence, rather than shaping social needs and preferences, the OP served the trends under way. Recognizing the potential environmental impact of transport infrastructure, compliance with the environmental *acquis* is explicitly repeated in the section of the OP that focuses on the development of country's transport infrastructure (CSF 2004-06 Hungary, 83).

The specific environmental objectives of the EIOP were: 1) improved access to environmental and water management infrastructure, 2) protection of groundwater and aquifers, 3) nature conservation, and 4) development of energy management though increased efficiency and use of renewable energy (EIOP Hungary 2004-06, 48). In fact, however, environmental protection was mostly addressed through investments in environmental infrastructure. No doubt, Hungary, a new member state, fell behind the EU standards in the areas of water, wastewater, and waste management (CSF 2004-06, Hungary, 46). The emphasis on end-of-pipeline environmental infrastructure projects was facilitated by the fact that the OP's management authority was established within the Ministry of Economy and Transport (EPRC 2009a). Although the Ministry of Environment and Water was to share in the management, such coordination did not take place. As a result, the main responsible ministry gave preference to the transport segment of the OP and to those environmental infrastructure projects that would secure the country's compliance with the EU directives.

Hungary made significant progress by investing close to 26% of its ERDF funds to wastewater, increasing by 30% its population access to wastewater treatment (ADE 2009, 16; 87). Furthermore, while the Cohesion Fund invested also in the solid waste management infrastructure, 14% of the ERDF funding was allocated to the management of specific types of waste (e.g., animal waste, health-care waste and construction waste), demonstrating a strategic approach to Hungary's use of the funds (ADE 2009, 97-100). Hungary, similar to almost all CEE states, financed mostly infrastructure projects both in order to meet basic needs and to improve implementation of European legislation (Interview #23). Of the four objectives that the EIOP was planned to finance, infrastructure investments were given priority. Although the EIOP was aimed at complementing the funds provided by the Cohesion Fund, which is targeted at infrastructure projects, the EIOP provided supplementary rather than complementary funding for infrastructure development (EIOP 2004-06 Hungary, 52).

In view of the 2007-13 programming period, Hungary developed a New Hungary Development Plan, which became the country's NSRF under the title "Employment and Growth." The NSRF is planned in order to meet two important objectives: expansion of employment and establishment of the conditions of sustained (not sustainable) growth, with the overarching objective being similar to that proposed two years earlier: the Hungarian to catch up with the EU average

(NSRF Hungary, 59). The NSRF was drafted in line with the Lisbon priorities, as well as in accordance with the Gothenburg and the 2006 revised sustainable development strategy (NSRF Hungary, 11). Indeed, sustainable development has been given greater importance compared to the 2004-06 CSF, with a section analyzing how the NSRF would ensure economic, social and environmental sustainability (NSRF Hungary 65-68).

The NSRF, compared to the CSF, includes some important structural differences, some of which were already discussed above. An important distinction, compared to the previous programming period is that the Transport OP (TOP) and the Environment and Energy OP (EEOP) are two separate programmes, rather than one infrastructure OP. The two programmes account for slightly more than 40% of the EU funds allocated to Hungary for the 2007-13 programming period. Both OPs are financed largely by the Cohesion Fund, which confirms that infrastructure development remains as the country's main priority. This is particularly the case, for the largest part of the country that falls under the convergence objective (Bartha, Nagy and Gyukics 2010, 7-8). The Transport OP has the largest budget of any OP, accounting for approximately €6.2 billion. The Environment and Energy OP accounts for €4.1 billion, of which only approximately €400 million is channeled through the ERDF with the remainder flowing from the Cohesion Fund.

The EEOP is organized around six priority axes: 1) healthy, clean settlements priority axis; 2) good management of waters priority axis; 3) good management of natural values priority axis; 4) increasing utilization of renewable energy sources priority axis; 5) efficient energy utilization priority axis; and 6) sustainable lifestyle and consumption habits priority axis. The breadth of issues that could be funded, therefore, has widened compared to the previous period, making use of the broader financial opportunities that the regulations provided and the larger budget. However, the initial allocation of the funding of the EEOP confirms the commitment expressed in the NSRF that environmental infrastructure constitutes a core priority. More than half of the EU funds directed to the EEOP have been allocated to the first axis, which covers waste management, wastewater treatment, and improvement of drinking water quality (EEOP 2007-13 Hungary, 61-67). The second priority axis, which accounts for almost €1.2 billion from the Cohesion Fund and close to €115 million from the ERDF, largely aims at completing the construction of an ambitious flood protection system along the Danube and the implementation of the Vásárheyi plan in the Tisza River valley, a plan that was developed in response to the severe floods of the late 1990s. The extent to which this project is environmental is difficult to assess. In addition, the funds are expected to contribute to the implementation of the Water Framework Directive (2000/60/EC) and the newly adopted Floods Directive (2007/60/EC), among other interventions (EEOP 2007-13 Hungary, 67-74). With the remaining funds, amounting to no more than €520 million, Hungary has planned to finance the remaining four priority axes, which include interventions such as the management of its Natura 2000 network, to promote energy efficiency and renewable energy as well as the promotion of awareness-raising campaigns, environmental education programmes, among others (EEOP 2007-13 Hungary, 75-88). Similar to the previous programming period, the ROPs are expected to contribute also to the environment and energy priorities set out in the NSRF (NSRF Hungary, 110). The allocation of funding for these priorities is much smaller than that directed to environmental infrastructure.

Concluding remarks

This chapter has examined the application of the structural funds in Ireland, Portugal, and Hungary. When they joined the EU, the three countries were poor, coming out of a distinct yet comparable turbulent recent history. They had a strong centralized system of governance and a weak tradition in regional development. Environmental policy and institutions were weak, and their development has been dependent largely on EU initiatives. Each of the three countries, however, has had its own history of interaction with the EU, each becoming a member state at a different stage of the integration process.

Despite these different entry points to the EU integration process, the experience of the three countries with respect to the application of the structural funds reveals several common characteristics. While there is no doubt that distinctions can be found – and they will be analyzed in the next chapter that brings together also the experience of Greece – some preliminary commonalities are recognized already here. Having a traditionally centralized system of governance, the three countries have undertaken minimum reforms in order to meet the policy's regionalization requirement. Even while doing so, the central government has retained control of the allocation of funding. Funds have been directed for the most part to meet national, mostly macroeconomic priorities, rather than regional needs. Indeed, the common main objective throughout different programming periods has been convergence of their economic development to the EU average. While Ireland may stand out for its early investments in human capital, there is no question that the preferred use of the funds has been infrastructure development.

Provision of basic infrastructure, especially transport infrastructure and road development in particular, has been the preferred strategy in creating a perceived solid foundation for the development of the three lagging economies. Such projects offer immediate, short-term economic results. Meeting the requirements of three environmental directives – drinking water, wastewater treatment and waste management, has constituted the second largest infrastructure funding priority. There is no doubt that such basic infrastructure is needed in any country, region, or town. However, the compliance record at least of the two older member states, Ireland and Portugal, against which the Court has ruled on several occasions, sheds doubt on whether the funding choices are used effectively to promote either environmental protection or sustainability.

At the same, there is no question that the increased attention to compliance with the European environmental requirements has influenced the selection of projects and the gradual integration of the environment in the funding priorities. However, this seems to be a very narrow interpretation not only of the much broader principle of sustainable development, but even the narrower priority of environmental integration. The emphasis given to environmental infrastructure investments remains the same over the years, despite the evolution of environmental issues and the growing volume of EU environmental law, introducing new funding needs, for example, to support biodiversity conservation and climate change mitigation.

Even though the number of lines and pages dedicated to the environment both in strategic documents and in operational programmes has increased and sustainable development is mentioned more often over the years, it seems that not much has changed. The analysis that follows in the next chapter, drawing from the combined experiences of Greece, Ireland, Portugal, and Hungary, examines in more detail the extent to which the structural funds support the operationalization of the principle of sustainable development, while exploring why particular choices have been made.

CHAPTER 8: CONTRIBUTING TO SUSTAINABLE DEVELOPMENT?

Attainment of sustainable development entails more than the environment being taken into account or respected. Sustainable development requires meaningful environmental integration across sectors. Such an approach requires an institutional framework that can lead to changes in the predominant model of economic development that has promoted unsustainable practices, leading to a global environmental crisis. This research project examines how and to what extent the cohesion policy of the European Union (EU) has adjusted its priorities and funding allocation in line with the sustainable development imperative and particularly the requirement of environmental integration.

Chapter 3 established the political and legal commitment of the EU to sustainable development and particularly its environmental pillar. As demonstrated in Chapter 4, cohesion has been mostly strongly identified with economic convergence across EU regions. However, the presentation of the regulatory framework in Chapter 5 demonstrated that cohesion policy incrementally has integrated additional environmental obligations and opportunities in line with Treaty revisions and political and legal requirements.

Given the political and legal commitments to environmental integration in the structural funds regulations, this project undertook a comparative examination of the application of the structural funds in Greece, Ireland, Portugal, and Hungary. Greece was studied in more depth, while the remaining three countries were examined in order to determine whether the findings of Greece were relevant only to Greece or were part of a larger European trend. The examination concentrated on tracing evidence of reorientation of policy priorities and changes in the funding distribution in these four member states. Although the structural funds comprise several financial instruments, the focus of this research has been the European Regional Development Fund (ERDF), which is dedicated to promoting development in those regions that fall below the EU average income level. The ERDF concentrates the largest share of the cohesion policy funding and has accounted for most of the EU structural funding in the four countries examined. The contribution of the Cohesion Fund was also examined, due to its dedicated funds to environmental priorities. The exploration of the case studies sought to identify whether the structural funds have supported the operationalization of sustainable development by shifting priorities in programming documents and funding allocations in a way that effectively integrates the need for environmental protection and improvement.

This chapter brings together the experience of Greece, Ireland, Portugal, and Hungary in order to explore why the funds have been directed in the way that they have and the extent to which they have addressed the environmental pillar of sustainable development. The chapter first reasserts the common platform that the four countries have provided for this comparison. Second, it provides a comparative review of the application of the funds across the four countries over time. Third, it places the information drawn from the case studies in the context of the EU's governance system and identifies the gaps in governance that may explain the particular policy priorities and funding allocations. These reflections draw on the theoretical analysis regarding the EU as a political entity.

A common platform for comparison

Despite idiosyncrasies that distinguish each country, the four countries create a common platform for comparing the contribution of the structural funds to sustainable development. As Greece, Ireland, Portugal, and Hungary joined the EU, they were countries lagging behind in economic development compared to the EU average. Their whole territory qualified as objective 1 regions of the cohesion policy – that is, their average income level was below 75% of the EU average. Commencing with a common target of converging with the EU average in terms of economic development, each country has followed its own economic development path. Greece's path has been unstable, marked by periods of substantial growth, mainly in the late 1990s and early 2000s, as well as by severe downturns that have been linked to deficiencies in the structure of the country's economy. Joining as the first peripheral country of the EU, Ireland transformed its economy from a rural to a technologically advanced economy, demonstrating substantial growth rates during the 1990s and 2000s, surpassing the EU average of GDP per capita. Portugal's economic growth had been steadily improving during the 1990s, before losing steam as its low-tech export-based economy faced increased global competition. In recent years, Hungary's economy has been directed by severe austerity measures that have been a response to declining growth rates. While at different economic levels when the global financial crisis erupted in 2008, the four countries have been affected principally by its aftermath. Since 2010, Greece, Ireland, and Portugal – all Eurozone countries – have entered consecutively into customized bailout arrangements with the participation of the European Central Bank, the European Commission, European member states and the International Monetary Fund, in order to secure financing for payments of their sovereign debts. Hungary, not a Eurozone country, has also secured European and international assistance to ensure financial stability.

Listed among the most centralized member states of the EU, the historical context that shaped the similar political arrangement distinguishes the four countries. Greece was marked by political instability and short-lived military rule, until the establishment of a stable democracy in the mid-1970s. Portugal's legacy has been one of an authoritarian government struggling to maintain power in a crumbling empire. Hungary's communist past has cast a long shadow on the country's political organization. While Ireland has been a long-standing democracy, it has been tormented by violence in relation to Northern Ireland. Despite these distinctions, the four countries examined joined the EU as countries with centralized governments and a limited record of regional governance and territorial-based development approaches.

Although endowed with a healthier natural environment than those of "old" industrialized member states, each country examined faced environmental challenges when joining the EU. In Greece, these were linked to unplanned development and uncontrolled urbanization; in Portugal and Ireland, to poor management of natural resources leading, indicatively, to water pollution and soil erosion, and eutrophication, respectively; and in Hungary, to intensive agricultural and localized industrial development. Most significantly, the national environmental policy record of each of the countries examined had been weak. Hence, the evolution of environmental protection measures has been dependent on the advancements of the European environmental *acquis*. Over the years, pressures on these countries' natural environment have increased as a result of economic development.

The brief review highlighted the idiosyncrasies that qualify the common basis on which the comparison of the application of the structural funds in the four countries was undertaken. Another important distinguishing factor is noted. Each country joined the EU at different phase in the process of integration. Focusing on the evolution of the cohesion and environmental policies, the different entry points become clear. These offer an important temporal factor on which to base the comparative examination of the application of the structural funds in the four countries. When Ireland joined the EU, structural funds were only a negligible part of the EU budget. Greece's membership to the EU coincided with a period of renewed interest in the integration process, which among others was expressed through an early reform of the cohesion policy and an effort by the Commission to assert its leadership role. As Portugal entered the EU, the 1988 Delors reforms elevated cohesion policy to one of the most significant European policies complementing the process of deeper economic integration. By the time Hungary joined, structural funds accounted for almost a third of the EU budget.

Similar is the account in the context of environmental policy. Ireland's membership coincided with the early environmental initiatives that were adopted at the European level. As Greece became a member state, several legislative instruments had been adopted, despite the fact that a clear Treaty basis for the policy was still missing. When Portugal joined, environment had secured its place in the Treaty. By the time Hungary became an EU member state, environmental policy had become one of the most advanced EU policies and sustainable development had been included among the EU's objectives.

An important distinguishing factor, therefore, among these four countries in terms of the application of the cohesion policy is the period during which each country became an EU member state. The hypothesis on the question of how structural funds have addressed sustainable development was that structural funds have responded to a differing degree across regions and during different programming periods in response to the evolution of the two policies. However, the four case studies demonstrated that the similarities with regard to environmental integration in the cohesion policy implementation are significant. Environmental integration is found to be only gradual. Increasing commitments to sustainable development and its environmental pillar in the regulations of the structural funds have led only to a modest shift of objectives and funding priorities in the four countries examined. The exploration of the main hypothesis of the research regarding *gaps in the system of governance* remains valid.

Greece, Ireland, Portugal and Hungary: A comparative review

As a policy aimed at raising living standards, the cohesion policy objectives have been adapted to the widely held recognition, at least since the 1987 Brundtland report, that economic and social development priorities need to be given comparable weight to those of environmental protection. The presentation of the regulations in Chapter 5 demonstrated that the structural funds have addressed sustainable development progressively adding environmental provisions in each subsequent programming period. It was also demonstrated that the structural funds have been identified as the means to achieve EU environmental objectives. The broad political commitment to sustainable development that has been added to the Treaty and repeatedly expressed in numerous Council conclusions and in the EU sustainable development strategy has been integrated into the structural funds' regulatory framework. Cohesion policy is one of the few instruments available to finance the EU rhetoric regarding sustainable development and match it with implementation (Interview #4). Therefore, the structural funds act as a lever to show the change that is needed. The leverage is based not only on the political declarations and legal requirements, but also on the specific opportunities available to fund plans, programmes, and projects that protect, restore, and improve the environment. This section traces the application of cohesion policy in the four case studies. Together with Chapter 5, this section attempts to respond to the question of *how the structural funds have addressed sustainable development*. The focus is whether the structural funds are contributing to the creation of a sustainable Europe.

Setting the framework for investments

An early but weak connection between the environment and cohesion policy was identified already in the Integrated Mediterranean Programmes (IMP). However, it was in the 1989 regulations that a broad requirement to observe the amendments introduced by the Single European Act was provided. Until then regional funding was largely used to support nationally selected projects with only very limited oversight by the Commission. To improve the effectiveness of the structural funds, a new approach of planning and programming was developed that would also allow a more systematic review of the use of the funds. Among the provisions that had to be taken into account was the need for environmental protection and improvement, as prescribed in the environment chapter that had been added to the Treaty. Despite these provisions, few member states included environmental protection in their strategic and operational programmes of the 1989-93 programming period (Clement 2000, 101-102). The insignificant attention to the environment in the programming documents of Greece, Ireland and Portugal reflected the minimum requirement to conform to the EU *acquis* that the regulation provided. Equally negligible were the funding allocations to environmental priorities.

The weak environmental provisions of the first programming period offered important lessons, especially with respect to the need to appraise the status of the environment in which the investments were to be made and to evaluate their impact of projects co-financed by the EU. The case of the Acheloos diversion perhaps most prominently revealed the potential negative impact of structural investments. Not only were the limited environmental provisions not respected, but also EU-supported projects could lead to environmental degradation. Indeed, the Commission later accepted that projects funded through the structural funds could have both positive and negative environmental effects, acknowledging that complaints had been filed concerning infringements of environmental legislation by EU co-financed projects (Commission of the European Communities 1995).

During this early phase of implementation of the cohesion policy in its post-1988 reform period, the Commission launched the Regional Action

Programme on the Initiative of the Commission Concerning the Environment (ENVIREG). Through this Community initiative specific environmental funding priorities were identified: wastewater and solid waste management, especially in coastal areas. As noted in Chapter 3, the first environmental directives that the EU introduced – even prior to having a clear legal basis for initiating such measures – were in the waste and water sectors. The identified funding opportunities ensured implementation of the early directives that formed the foundation of the EU's environmental policy. These directives require important financing for the construction of the infrastructure necessary for managing pollution. Providing structural funding to lagging member states to support implementation of the EU's environmental *acquis*, in particular of these fundamental environmental directives, was identified as an EU added value. Addressing increasing pollution by promoting environmental management was a priority directly linked to environmental problems with which the newer member states at the time – the southern Mediterranean countries – were faced. Countries, such as Greece and Portugal, had been rapidly developing without the necessary infrastructure and processes to handle the pollution that industrialization produced. Hence, concern regarding the resilience of their natural environment was expressed and the need for European intervention was recognized. EU co-financed objectives would assist countries in meeting the European standards as they joined the process of European integration, which was expected to further galvanize their economies. It is argued that the Commission's initiative, which responded to specific and actual needs at the time, has influenced the selection of environmental investments throughout the next programming periods.

Selecting objectives and funding priorities

The examination of the case of Greece and three additional cases reveals that the commitment towards the environment as expressed in the respective programming documents of each country was similar during the same programming period. The programming documents reflected in a similar way the incremental improvements in the regulations. Indicatively, the adoption of the Maastricht Treaty that introduced environmental integration as a cross-cutting EU principle; the provisions of the fifth Environmental Action Programme (EAP); as well as the conclusions of the Rio Earth Summit, provided an impetus for greater integration of the environment into cohesion policy. As a result, the beneficiary countries included environmental concerns more prominently in the programming documents of the second programming period, compared to the 1989-93 period. Nonetheless, the recognition of sustainable development as a framework for the environmental provisions of the 1993 regulation did not influence the implementation of the 1994-99 programming period (ECOTEC 2003, 126). This was the case across the EU and was confirmed in the examination of the four countries. It was during the third programming period that was initiated on the eve of the World Summit on Sustainable Development that the countries examined integrated more environmental issues to their programming documents. Portugal specifically recognized the principle of sustainable development, while Ireland linked its economic competitiveness to upgrading its environmental infrastructure. The case studies demonstrated that environmental provisions included in the programming documents reflect the concern of the particular period when they are prepared. As climate change had been raised in the political agenda by the mid-2000s compared to the late 1990s, it was integrated more prominently in the programming documents that the four countries prepared in view of the 2007-13 period compared to those of the previous programming period. "All National Strategic Reference Frameworks and Operational Programmes outline ways in which they seek to deliver the objectives of the Lisbon and Gothenburg agendas while tackling the challenges facing the regions" (Nordregio 2009, 13). This is also the case in the four countries examined in this research project. During the same programming period, similar priorities were promoted in the national and regional documents of the four countries. Priorities that member states proposed have been similar, although not identical, as national or regional parameters influence the documents that each country prepared.

Environmental provisions that member states included in their strategic and programming documents are influenced by the regulations' provisions, the guidance of the Commission, the EU strategies, as well as, the broader environmental discourse at the time of drafting. When the regulations in 2006 provided the opportunity for natural risk prevention projects funding, the four member states included such funding options in their Operational Programmes (OP). No evidence was found in the four countries examined of an approach to environmental matters that was more progressive or innovative than that provided by the regulations. Nonetheless, the four countries submitted programming documents that were current and reflective of the interests of the particular programming period. To the extent that this can be considered adaptation to the EU requirements, it is of a minimal extent, reflecting the characterization of these countries as those that “download” environmental provisions (Jordan, Liefferink and Fairbass 2004).

Although the four countries did not exceed the regulatory requirements, they inserted additional environmental provisions, recognizing environmental integration as a component of sustainable development. As noted in Chapter 5, each programming period added a requirement for improved environmental appraisal and programme assessment. The case studies examined confirm the gradual adjustment to the regulation requirements. Fulfilling the 1993 regulation requirement, Greece, Ireland, and Portugal dedicated sections or chapters of their Community Support Frameworks (CSF) to a discussion on the state of the environment. While the regulation provided several improvements in integrating the environment, the implementation of the new provisions by the member states across the EU was varied and several shortcomings were identified (Commission of the European Communities 1995). The approach taken by the countries examined was superficial, confirming the view that very few member states undertook a systematic environmental appraisal prior to submitting their proposed OPs to the Commission in view of the 1994-99 programming period (Clement 2000, 103-121; Roberts 2001, 70; Keller 1997, 64). When environmental considerations were not the direct concern of a programme, they were considered secondary to other priorities (ECOTEC 2003, 128). Environmental appraisals were treated as an addendum rather being integrated in the planning of the programmes.

In contrast to the countries examined in this research project, the authorities responsible for the Highlands and Islands of Scotland OP had already undertaken a preliminary strategic environmental assessment already in 1993. The experience highlighted the need for political will as well as Commission guidance in undertaking such appraisals (Keller 1997). In the four countries examined the absence of political will in integrating the environment is evident, and is discussed further in the next section. At the same time, the Commission did not have in place an appropriate system to properly review this "binding, quasi-strategic environmental assessment" that the regulation introduced (Bradley 1999). Hence, the Commission, which had to approve the submitted funding plans and programmes of the member-states, did not have the means or the tools in place to evaluate the quality of the assessments provided.

In view of the 2000-06 programming period, the environmental appraisal formed part of the *ex-ante* evaluation. It should be remembered that these evaluations, undertaken either at the national or regional level, aim to explicate the objectives proposed and fall within the competence of member states, without the required participation of other actors or the Commission. Greece and Portugal simply followed the changes provided in the regulations. Environmental appraisals of funding priorities in these countries was undertaken in order to meet the regulations requirements, rather than to influence strategic objectives and funding priorities. With the assistance of the Commission, Ireland undertook what was referred to as a *pilot* eco-audit of its programming documents. However, its effectiveness was weak. The need for a more efficient system of evaluating environmental impact had not been met.

A significant shift in the evaluation took place prior to the 2007-13 programming period. The requirement of an environmental appraisal of the OPs was delinked from the *ex-ante* evaluation. In accordance with the strategic environmental assessment (SEA) directive, a separate and distinct process was put in place in order to evaluate the environmental impact of OPs. Considering past experience, it was recognized that appraisals undertaken in the previous periods had to be significantly adjusted in order to fulfill the requirements the SEA directive provided (Fischer 2003). The directive, adopted in 2001, did not enter into force until 2004. Hence, many member states did not have the experience in using the tool. While Ireland had the previous experience of the pilot eco-audit, for many member states, and particularly for Greece, Portugal and Hungary examined in this research, the SEA process was entirely new. For 15 member states, including Greece and Portugal, an infringement process had been initiated on account of delayed transposition of the directive in December 2004 (European Commission 2009). It should be noted that while the Commission offered preliminary guidance, this was not considered sufficient (Interview #26).

Given the haste under which the planning of the 2007-13 period was undertaken across member states, under very tight deadlines as a result of the delayed agreement on the EU budget, the results of the SEAs across the EU were uneven (European Commission 2009; Interview #2). The final environment reports of the SEAs provide useful insights on the issues that were raised and the suggested changes, but the exact impact cannot be clearly identified, especially in those cases when the SEAs have been undertaken during the drafting process. Evidence from the interviews conducted in Greece revealed many weaknesses in the processes. The case was not dissimilar to the other three countries examined as well as other regions around Europe which concur that the SEAs did not generate substantive results for the 2007-13 period (Theophilou, Bond and Cashmore 2010). Commission officials observed that although no official review has been undertaken, there was variation among member states with respect to the application of the SEAs and the extent to which it was used efficiently (Interviews #2; #23) Indeed, some countries were more efficiently prepared for the new requirement. Sweden, for example, had already developed national guidelines undertaking SEAs of EU co-financed programmes, viewing the SEA as a tool toward meeting the requirements of environmental integration and sustainable development (Balfors and Schmidtbauer 2002).

Most importantly, the Commission did not have the tools to evaluate the content of the SEAs. Rather than focusing on the substance of the results, the Commission was preoccupied particularly with process – that is, the extent to which consultations took place, whether the timelines were respected, among others (Interview #23). The situation is similar to earlier programming periods, when the requirement of environmental appraisal was not adequately evaluated by the European Commission.

Without an appropriate evaluation system in place at the EU level, the effectiveness of these tools is dependent on the resolve of the member state or the region to fulfill appropriately its obligations. As a result, the potential to prevent degradation and promote environmental protection across the EU, particularly in those countries that lack environmental capacity, is undermined.

Despite improvements in trying to appraise the environment and assess impact in advance in order to influence programme objectives, the case studies reveal that a large portion of the funds remains in the same priorities as during the first programming periods. During the current programming period, which required earmarking of funds toward meeting the objectives of the Lisbon Strategy, emphasis of the National Strategic Reference Framework (NSRF) was placed mostly on generating economic growth and creating jobs, rather than promoting environmental protection, restoration and improvement. It is important to recall that the Commission's common strategic guidelines for the development of the 2007-13 programming document emphasized mostly the need to promote the growth and employment priorities of the Lisbon Strategy (Council of the European Union 2006a). Indicatively, the title of Hungary's New Development Plan is "Employment and Growth." While the countries examined have adapted the language of their strategic and programming documents to the regulatory requirements to include the environmental pillar of sustainable development, the objectives promoted and, most importantly, their funding priorities reveal that in practice the evolution since 1988 has been gradual and modest.

A closer examination of the 2000-06 programming period, in this context, provides important insights. The environmental priority had been widely accepted at the time. The structural funds' regulations not only emphasized the need to limit negative impacts, but also highlighted the potential for positive environmental contributions. It is noted that due to the focus of the study at the programme level, instances of greater environmental integration at the project level may be underrepresented. The focus of the examination is on tracking overall progress toward sustainable development, rather than highlighting instances – specific examples – of best practice. Such projects offer signals of change, but they do not contradict the argument presented in this section that the allocation of the funds is directed mostly to meet economic and social indicators, rather than environmental ones (European Commission 2004, 62).

In the four countries examined the main emphasis of investments, particularly of the ERDF, was infrastructure development. Based on the pattern set during the second programming period, infrastructure development, including environmental infrastructure, to which the following section is dedicated, was considered the most beneficial form of investment to foster economic growth and job creation in the less prosperous European regions during the 2000-06 programming period (European Cohesion 2001b, 97; 2004, 62). While investments on the development of human capital, through vocational training and educational opportunities increased (reaching almost 25% of the budget) and investments in the productive sectors targeted at rural development and at supporting small and medium enterprises remained important (at 34% of the budget), infrastructure development maintained its central place as investment choice, as shown in Table 8-1.

	Objective 1		EU	
	EUR million	Percentage	EUR million	Percentage
Productive sectors	21777	24%	32285	24.9%
Human Resources	24092	26.5%	44392	34.2%
Infrastructure	43212	47.6%	49598	38.2%
Transport	23448	25.8%	24914	19.2%
Environment	6019	6.6%	6865	5.3%
Energy	776	0.9%	960	0.7%
Other	12969	14.2%	16859	13.0%
TOTAL	90815		129762	

Table 8-1. *Distribution of ERDF and SF spending in the EU-25 – Third programming period 2000-06* (Adapted from European Commission 2007, 94)

Infrastructure funding during the third programming period accounted for more than 38% of the total available funding compared to 30% in the previous programming period (European Commission 2001b, 126; 2007, 94). In fact, when the funds available from the Cohesion Fund were added, the percentage allocated to infrastructure reached 40% of the total budget (European Commission 2001b, 126). Within the objective 1 regions, particularly in the cohesion countries, which include the four countries examined in this research, close to half (47.6%) of the available budget was allocated to infrastructure development. Indeed, in Greece infrastructure was allocated 56.5% of the structural funds budget, compared to 45.8% in the 1994-99 programming period; in Portugal, 44.3% compared to 29.5%; and in Ireland, 44.4% compared to 17.3% (European Enterprise Organization 2003, 4–111; European Commission 2004, 182). In the three countries that can be compared with earlier programming periods, investments in infrastructure increased significantly.

The case of Ireland is particularly revealing. Despite the fact that during the 1994-99 programming period it dedicated less than 20% of the available funds to infrastructure investments, Ireland more than doubled its infrastructure investments during the 2000-06 programming period. As Ireland was phasing out of objective 1 funding, the concentration in infrastructure investments more than doubled. Infrastructure investments were perceived as the most efficient use of the funding available. The programming documents of Greece and Portugal justified their increased investment concentration on infrastructure, as necessary for their economic growth. Economic growth was identified as a priority in order to ensure economic convergence toward the EU averages. Although the environmental priority was recognized as horizontal or transversal, the environment was linked specifically to the strategic priority of improving quality of life. This was the case also in the previous programming period. Linking environmental protection to improved quality of life is not in itself problematic. What *is* problematic is that the improvement of the environment was perceived as a result of improvement in quality of life, rather than a contributing factor to quality of life. Quality of life, in turn, was the result of economic growth. In other words, economic growth was perceived as a *precondition* for environmental improvements. At the turn of the millennium, Greece and Portugal claimed that environmental protection was dependent on economic growth. This claim is consistent with the argumentation that secured environmental investments for these countries in the first place. Three programming periods later, immediate economic growth was prioritized in contrast to long-term environmental protection.

Of the funds spent on infrastructure development, approximately half were directed to improving transport infrastructure, accounting for a little less than 20% of the EU budget as originally anticipated (European Commission 2001b, 149; 2007, 94). In objective 1 regions, the percentage was slightly more. In the EU-15[97] objective 1 regions, almost a third of the total funding allocation was spent on transport (European Commission 2010a, 80). Road transport accounted for close to half (47%) of total transport investments (European Commission 2007, 100). The percentage of investments in motorways and other roads reached 60% of the ERDF spending in the objective 1 regions of the EU-15. In all countries examined in this research, transport investments outweighed other infrastructure investments. Improving accessibility, increasing travel safety, and reducing travel time constitute important transport benefits that the countries examined required.

[97] The EU-15, referred to also as the old member states, are the 15 western European countries that comprised the EU prior to the 2004 enlargement.

Despite the fact that infrastructure investments and particularly transport infrastructure were a “significant element of nearly all Objective 1 strategies”, at the end of the 1999-94 programming period, the cohesion countries were considered still lagging behind the rest of the EU in terms of “EU average” transport infrastructure (ECOTEC 2003, 76-77; 65). Hence, transport projects were promoted in order to meet this average.

Among transport infrastructure investments, road transport projects have concentrated most EU funds. Road projects create multiple environmental pressures both in terms of the immediate impacts, as they may disturb or degrade natural areas and long-term impact, linked to higher emissions of greenhouse gases. At the same time, their development contribution in addressing regional disparities is questionable. The *ad hoc* system of environmental review that had been put in place by the Commission during the first programming period was found to be insufficient (Baldock 1990; Bradley 1999). Hence, requirements for a strict *requirement* of environmental impact assessment (EIA) of projects and a more systematic approach to appraising the environmental impact of the programmes were introduced during the second and third programming periods. This provision for an EIA of projects included in the regulations was *neither necessarily progressive nor innovative*. It was based on the evolution of the environmental *acquis* while highlighting that member states had delayed the 1985 EIA directive’s transposition and implementation. The delayed implementation of EIAs demonstrates the lag time between the adoption of a provision and its actual implementation.

This time lag was further demonstrated in view of the third programming period. In its 2000-06 guidelines, the Commission took note of the need to ensure compliance with the EU biodiversity directives – that is, the Birds and the Habitats Directives. It should be noted that Greece was convicted at the Court for not having transposed the directive in 1997. The Habitats Directive, adopted in 1992, introduced new provisions regarding the assessment of projects in Natura 2000 sites. At the time, countries had yet to complete their lists of proposed sites. Despite a provision in the directive that *requires* member states to prevent the degradation of a proposed Natura 2000 site, the Commission *re-emphasized* that the legislative requirement applied explicitly also to EU co-financed project (European Commission 2001a). The fact that the Commission had to underline this requirement constitutes an indirect acknowledgment of the weakness in integrating environmental concerns in previous programming periods and a implicit concern that without a clear warning member states would not comply with the directive's requirements.

The negative environmental impacts of road transport infrastructure projects funded during the second programming period, were not taken into account during the 2000-06 period, which gave similar priority to road development as the previous period (European Commission 2001b, 106; ECOTEC 2003, 127). The conflicting priorities and guidance that the Commission prescribes are better understood within the context of the European transport policy. The development of the Trans-European Network – Transport (TEN-T) is supported particularly by the Cohesion Fund, but also through ERDF investments. It is considered an EU-wide priority. While projects co-financed by the EU were assessed in terms of their impact, the impact of the whole plan to which the projects belonged, as in the case of the TEN-T, had not been examined (Barrass and Madhavan 1996). However, long-term impacts are significant. Greenhouse gas emissions (measured in CO_2 equivalents) from the transport sector have been rising, accounting, in the mid-term of the third programming period for 21% of total emissions in the cohesion countries, i.e., in those countries where the EU was investing heavily on road development (European Commission 2004, 62). In 2004, many EU countries were not on target to meet the Kyoto emission reductions, including the cohesion countries (European Commission 2004). In comparison, in the new member states, toward which the funding investments were expected to shift following their accession, transport accounted for 8% of total emissions. The Commission, however, expected these emissions to rise because of an increase in road transport. The data presented in this research project from Hungary support this expectation. In fact, it is noted that road transport investments have been preferred in Hungary compared to modernizing the rail network because of the expectation of higher demand for road transport.

From their design to completion, large infrastructure projects take a long time, and there is limited flexibility in switching funding priorities. Until a project is completed, it remains a funding priority. The Commission, while recognizing the potential negative impact and need for greater incentives for cleaner modes of transport, commented that environmental consideration should be balanced against the need to promote regional competitiveness and social welfare, including road safety (European Commission 2004, 62-63). Therefore, it has been concluded that despite the greater environmental emphasis, “there was little attempt to relate the projects undertaken with other aspects of development policy in the case study regions over the [2000-06] period" (European Commission 2010a, 100).

In the countries examined, strategic priorities and funding priorities have retained the focus on infrastructure, particularly transport infrastructure, despite the fact that regulations of each consecutive programming period have offered additional environmental opportunities to those available earlier.

Direct environmental investments

While most funds were directed to other priorities, a small portion, increasing over time, of the available funds has provided direct environmental investments. Given limited environmental investments available during the 1989-93 programming period, it was the second programming period that set the tone for future investments. During the 1994-99 period more funds were available for environmental investments. The four countries examined have followed closely the guidance that the Commission has offered during the planning phase of the various programming periods. The Commission's influential role is revealed given that it had identified investments in infrastructure as a priority for bridging regional disparities. Within this context, the directorate general responsible for the environment (DG ENVI) added the implementation of the investment-heavy and infrastructure-reliant environmental directives as a funding priority under the cohesion policy. It should be noted that once the regulations are adopted the directorate general responsible for regional policy (DG REGIO) not only implements the new regulation obligations but also works with DG ENVI to meet them. The opportunity to finance environmental investments through the structural funds was a successful institutional expansion of the environmental agenda on the cohesion policy by DG ENVI. Not having a significant budget of its own and in order to secure implementation of its policy priorities, it managed to secure a small fraction of the cohesion policy pie. The Commission perceived this funding opportunity as the *carrot* that would induce member states – especially lagging countries such as the ones examined in this research project – to comply with the directives and avoid the *stick* of infringements processes.

The consequences were largely unintended, as both the cohesion policy increased in significance and the environmental agenda broadened in scope. In the four countries examined, among the environmental funding options, the environmental infrastructure projects have taken prominence. Although Ireland may have invested a greater share in the development of human resources compared to Greece and Portugal, within the confines of environmental investments, water, wastewater and waste infrastructure remained a priority of investment. Ireland intensified the use of funds in this direction as it was faced with a drastic reduction of structural funds in the third programming period. The same was true of Hungary once it joined the EU. The view of the Commission that infrastructure investments are to be prioritized among structural investments has trickled down to the national and regional levels influencing the selected funding priorities.

The second programming period contributed most profoundly to integrating the environment; first, by financing environmental projects linked to environmental infrastructure and second, by minimizing environmental impact of

EU-financed projects, as a result of the implementation of the EIA directive requirement (ECOTEC 2003, 126). Spending on projects, such as the metro in Athens and Thessaloniki in Greece and the Odelouca-Funcho water system in Portugal, illustrates the caution needed in reviewing the investments marked as environmental. The project in Portugal aimed at irrigating golf courses and intensive agricultural practices and degraded the habitat of one of Europe's most endangered species. A water infrastructure project with such impacts listed as an environmental project is problematic. Similarly, the metro in Greece's two main cities constitute transport projects with environmental benefits, rather than environmental projects. Such instances question the reliability of the projects' evaluation and the conditions that a project needs to meet in order to be considered environmental.

The review of the second programming period reveals that the environmental investments were mostly targeted to the development of environmental management infrastructure. During the 1994-99 programming period, support across the EU and particularly in the objective 1 countries focused on improving the water supply and wastewater treatment facilities (Commission of the European Communities 1996, 101). Moreover, the Cohesion Fund dedicated its funding to such infrastructure. Environmental funding from the Cohesion Fund has been targeted to meet the immediate needs in water supply, waste water treatment, and solid waste management, in which the cohesion countries were lagging behind.

Given the cohesion policy objective of raising living standards of the regions lagging behind, the provision of basic infrastructure for clean drinking water and sanitation facilities is an important parameter. Indeed, the infrastructure gaps in these EU member states at the end of the 20th century render the priority probably reasonable. In addition, these investments assisted the three member states to meet the environmental requirements set by the environmental *acquis*. Accordingly, the emphasis in Greece, Ireland, and Portugal was the development of the appropriate infrastructure that would support implementation of the drinking water, urban wastewater, and waste management directives. Given their previous environmental record, it is unlikely that they would use national public funds to promote its implementation. However, EU funds were not targeted to environmental protection, despite the important environmental benefits derived from reducing pollution, which is why they are broadly considered end-of-the-pipeline. They are necessary projects but constitute only the first step in terms of environmental protection; as such, they are not examples of projects that mainstream environmental concerns into other sectors, promoting sustainability, one of the themes of the second programming period.

The 2000-06 programming period, as already mentioned, largely served as a continuation of the previous period. The third programming period offered opportunities to "improve integration of the environmental dimension into all priorities through the principles of preventive action, correction at source of the environmental damage and application of the 'polluter pays' principle" (European Commission 2001a). However, member states, and particularly those examined in this research, selected the same investment focus. Although the language in the CSFs and OPs evolved, in practice, the *funding priorities remained the same*. Ireland, cognizant of the reduction of the funds available, focused the funds on wastewater management. Given past wasteful use of the resources available, Greece also targeted the funds to such projects. These not only met basic needs but also satisfied local demands and special interest groups, supporting the public works-dependent construction industry. While Portugal invested significantly in its basic infrastructure, it also included investments in reclaiming polluted areas. As had been anticipated, therefore, the 1999 regulation did not provide adequate incentives in order to redirect the orientation of funds toward more innovative approaches that relate to environmental protection (Löffler 1998). Emphasis was given to employment and economic growth. Needs for basic infrastructure projects had yet to be met, so renewed emphasis was given to the same type of projects. This was despite the fact that by 1999, when regulations were being drafted, the environmental agenda had broadened. Most attention, nonetheless, was given to those directives with a heavy investment requirement, such as the drinking water, urban wastewater, and waste management directives (European Commission 2004, 62-63; 2007, 103).

The prioritization of investments in infrastructure that would manage environmental pollution is problematic and conflicts with the polluter-pays principle, which is a founding principle of EU environmental policy. The principle has been particularly linked to environmental infrastructure projects, both as a means to reduce pollution and in order to cover operating costs of the infrastructure projects (European Commission 1999). However, an exception to the rule that requires the polluter to pay for the facilities needed to manage the pollution generated allowed EU funds to be allocated to such infrastructure projects. The exception provides that EU funding can contribute in cases that entail significant short-term financial costs. Environmental infrastructure projects correspond to this exception. Nonetheless, it was expected that charging schemes would eventually be introduced, which could differentiate accordingly the rate of EU assistance. In the 2000-06 programming period, almost half of the available environment ERDF funding for objective 1 regions in the EU-15 was allocated to such infrastructure projects. The second funding priority was rehabilitation of degraded areas (ADE 2009a, 39). As a result, the positive impact of the third programming period was constrained to environmental management projects. Most significantly, however, Greece, Ireland and Portugal have been faced with infringements, even convictions at the Court of the European Union (hereafter the Court) for failing to meet the environmental standards outlined in the directives, to which they have sought to conform.

The proposition on which this research project is based is that structural funds offer opportunities for additional and more innovative projects. Given that the third programming period served largely as an extension of the second programming period, without a demonstrable change of funding prioritization, it is clear that the countries examined did not apply the funds in such a manner. What is demonstrated by the analysis of their funding priorities is that Greece, Ireland, and Portugal did not concentrate their investments to meet the *acquis* despite this being their stated objective and the Commission's guidance. Hence, a serious gap is demonstrated between commitments and practice.

While the experience of the older member states demonstrates the difficulty in changing priorities, the case of Hungary is particularly revealing. A common Environmental Protection and Infrastructure OP was implemented during the 2004-06 period. It covered water and wastewater infrastructure needs, but as already noted above, it was mostly geared toward transport infrastructure. While also receiving financial support from Cohesion Fund for this purpose, Hungary directed the ERDF funds to this direction. With its past experience implementing the Poland and Hungary: Assistance for Restructuring their Economies (PHARE) and particularly the Instrument for Structural Policies for Pre-Accession (ISPA) programmes with the guidance and support of the Commission, Hungary had already adapted to the lessons of the previous programming periods that the older member states implemented. It is indicative, that Hungary's first CSF – in 2004 – included only a minimum requirement of conforming to environmental legal provisions as a criterion for project management. This provision is similar to that of the first and the second programming cycles, which had included respect of the environmental *acquis* as a minimum environmental safeguard in the older three member states. Although this was a necessary reminder, given its new member status, it seems that the EU missed an important opportunity to provide Hungary with the opportunity to leap forward with a more innovative approach.

The 2007-13 strategic documents, the NSRFs, are distinct from those of the previous programming periods, since the Lisbon earmarking shifted attention to other priorities. Nonetheless, the revised sustainable development strategy also influenced the application of the funds. Perhaps the most significant integration was that of climate change. The publication of the Stern Report, the heightened interest in global climate negotiations, and the EU's commitment to climate leadership explain the more systematic reference of climate change.

Overall, it was estimated that about a third of the cohesion budget would be allocated to the environment and an additional 14% to climate mitigation and adaptation (European Commission 2008). While this is a significant percentage of the funding, it is not entirely accurate, as distinct funding lines were calculated more than once. Perhaps this demonstrates the multiple functions of some investments. For example, assistance to small and medium enterprises to promote environment-friendly products and production processes were included under several priority themes, such as research and development and innovation, entrepreneurship, and environment. A closer examination of the results of the negotiations reveals that less than 15% of the EU budget was dedicated to environmental protection. The percentage was raised to 17.9% in the most recent estimates, which is still much less than a third of the budget (European Commission 2010b, 204). More than half of these funds (56%) have been allocated to three priorities that, similarly to all previous programming periods, dominate investments: drinking water, waste, and waste water management infrastructure (European Commission 2008; 2010b, 240). The percentage is significant also because the EU-12[98] have planned to use the funds to upgrade their environmental infrastructure. For these countries this is a priority in order to comply with the EU *acquis*. However, this funding priority as this study reveals was not limited only to the new member states. Rather, the funding allocations reveal that the choice is similar between Greece and Hungary. While, Portugal offered a more varied policy prioritization, the distribution of funds is not as yet clear. The infrastructure investment priority is apparent also in the two regional

[98] The EU-12 member states are the 12 new member states that joined the EU in the two most recent enlargement processes, in 2004 and 2007.

OPs (ROP) of Ireland, which despite qualifying as competiveness objectives, have allocated funds to environmental infrastructure investments.

The comparative presentation provided does not dismiss that additional and more varied environmental investments have taken place over the years. Indeed, some examples were noted in the examination of Greece. However, the evidence demonstrates that the transition to new and more innovative projects – which are focused directly on environmental protection as a development choice or fully integrate the environment – has *not* taken place. The disadvantage of a longitudinal comparative study is that the detailed elements cannot surface. However, the advantage is that it allows for the big picture to emerge. While the imperative of sustainable development requires rapid and radical changes, the evidence from this research project is that the change is slow and modest. The emphasis of environmental spending has been on infrastructure and assistance in meeting the environmental *acquis*, irrespective of the period of accession to the EU. The countries examined have made only limited use of these specific funding opportunities.

The previous sections demonstrated that strategic objectives, programme priorities, and funding allocation in Greece, Ireland, Portugal, and Hungary demonstrate a similar pattern that is not consistent with the political and legal commitment to sustainable development and particularly its environmental pillar. The following sections seek to understand why this is the case. The hypothesis examined is that this gap between commitments and practice is attributable to gaps in the EU governance system. It is argued that processes, instruments, and mechanisms in place are not efficient in shifting the pre-existing practices. As a result, the governance system of the structural funds requires further adjustment in order to contain the appropriate conditions, necessary mechanisms, and efficient instruments to contribute to the change in paradigm that the transition to sustainable development requires.

<u>Exploring the effectiveness of the EU governance system</u>

Despite improvements that have marked the regulations and political commitments regarding the potential contribution of cohesion policy to sustainable development, in particular with respect to integrating its environmental pillar, the record of the application of the structural funds falls short of expectations. Although slight variations were identified, a similar approach toward integrating the environmental component in the funds' application has been found across the four cases. As centralized states with a weak tradition in regional development, Greece, Ireland, Portugal, and Hungary have set national economic growth as their guiding priority in applying the structural funds. Environmental protection has been resisted as it is considered an impediment to their growth. The previous sections demonstrated that while attention to the environmental dimension has increased over the years, actual spending has remained largely unchanged. The four countries have dedicated most environmental funding to the construction of environmental infrastructure, contradicting the polluter-pays principle, while funding provided toward other priorities only sparingly introduces environmental provisions. Concentrating funds on infrastructure projects, several of the investments have been counterproductive to environmental sustainability.

Nonetheless, it is noted that in some EU countries and regions, structural funds have been used in creative and pioneering ways to support energy efficiency and nature conservation objectives (Lee 2003; WWF 2005; 2006; ECORYS 2008). Few instances of more ambitious projects were found in the four countries examined in this study. While a greater share of structural funds dedicated to the environment is allocated to convergence regions, innovation is found mostly in competitiveness regions. It is in the regions that are eligible for smaller shares of the ERDF and do not have the additional support of the Cohesion Fund that environmental integration is more prominently found (Barca 2009; Interview #23). Although this remark highlights the potential contribution of structural funds in the transition to sustainable development, it reinforces the need to explore the second question that the research project posed with respect to why the funds have been applied in the way that they have.

Structural investments have continued being channeled to projects that either degrade the natural environment or propagate unsustainable practices (Lee 2003; WWF 2005; 2006; ECORYS 2008). For example, major transport infrastructure projects are financed without sufficient and comprehensive appraisal of transport needs and despite potential negative impact on the natural environment. The findings of this project concur with conclusions of other researchers on the EU that there is little evidence of an innovative approach toward sustainable development – integrating clearly its environmental, economic, and social pillars (Berger and Steurer 2008; ADE 2009a). The experience of the structural funds as examined in this study supports the observation that the EU has taken an incremental approach to sustainable development. Many of the policy proposals and measures are managerial, with minimum impact relative to what might be possible or needed (Baker 1997, 102). Sustainable development requires that emphasis is given to ensuring enduring delivery of ecosystem services. Such eco-system services are dependent on the health of the ecosystems. Measures that try to lessen the impact of pollution are not sufficient in promoting environmental protection. The study seeks to explore why the structural funds cannot contribute effectively to the transition toward sustainable development in those countries and regions that are lagging behind in economic development. The following sections reveal the weaknesses in the processes and instruments that explain the disparity between commitments and practice.

Structural funds have introduced new policy and governance processes that have the potential to support the evolution of sustainable development (Baker and Steuer 2008). The regional and local levels are important levels for decisions regarding environmental integration, since it is at these levels that many environmental policy provisions need to be implemented. Regional decisions allow for a localized response to environmental needs and an allocation of funds that would not only focus on heavy infrastructure investments but also introduce more innovative approaches that have local and regional sustainable development potential. For example, the development potential of biodiversity conservation measures with respect to strengthening of tourism and local community engagement opportunities becomes more evident at the local or regional level than at the national level. Regional level decisions, therefore, can direct funds to alternative funding priorities as long as the institutional framework encourages making use of available opportunities. Mechanisms and tools need to be in place to ensure coherence in applying the common agreed-upon framework with respect to promoting environmental integration.

In response to cohesion policy requirements, the four countries have introduced reforms in order to adapt their centralized political system to these requirements. They introduced a new layer of subnational level of governance – that is, above that of local governments, municipalities, and counties. The emphasis on a regionalized, territorial, or, as it is now referred to, "place-driven" approach, to which the structural funds adhere, is in compliance with the subsidiarity principle of the EU, which requires decisions to be taken as close to the problem or the citizen as possible. The subsidiarity principle does not nullify, reduce the EU's multi-level governance, or limit the role of the other actors. Rather, similar to a federal system of governance, it gives greater autonomy to the regional level within a common agreed-upon framework (Koslowski 1999).

While the four countries introduced these reforms, initiating a system of multi-level governance, central governments have resisted conferring real decisive power to the established regional bodies. In all four cases, regions have been established primarily as administrative units. In a demonstration of vertical partnership between different levels of government, regional authorities are consulted, and it is with their collaboration that the final programming documents are submitted to the Commission. In Greece, Portugal, and Hungary, the regional level of governance has served mostly as an extension of the central state. In Portugal, despite a constitutional provision for elected regional government, the provision has never been enacted. Hungary developed a regional development OP only upon the insistence of non-governmental organizations (NGO). In Ireland, the regional level of governance has been integrated into the local government system, while the Ministry of Finance has retained its centralized supporting role. Ireland proceeded with the separation of the country into two territorial regions (NUTS2) in a successful strategic move that secured a larger share of the EU funding than it would have if it had remained one region. Ireland's 2007-13 ERDF funding has been distributed only through ROPs. However, it is unlikely that the limited – compared to previous programming periods – ERDF funding that the regional authorities have will suffice in promoting further regionalization in the country.

Greece is the only country of the four to have introduced an elected regional layer of government, more than two decades since the country implemented the first reforms towards government regionalization in compliance with the cohesion policy requirements. As the reform took place in 2010, it is too early to evaluate the reform's impact in the OP's implementation, as the governance system is still in a period of transition. The Greek reform illustrates a process of gradual adjustment to the policy requirements. For the purposes of this study and the potential for promoting environmental integration, the reform does not offer useful insight as ROPs were prepared under the previous status of the regions. The extent to which the newly formed regions will influence the implementation of the remainder of the 2007-13 programming period is unclear. Given the unfolding financial crisis, it is considered unlikely that regions will not submit to investment priorities selected at the national level within the context of the sovereign debt bailout agreement with Greece's European partners. The role of the regional level in setting priorities of ROPs will emerge during the preparation of the 2014-20 programming period. It is plausible that the new governance system may challenge – for the first time – the centralized control of structural funds by the Ministry of Economy. The extent to which this challenge will also serve as a turning point toward environmental integration, focusing funds on a sustainable trajectory, remains to be seen. An examination of the planning process in Greece of the next programming period could test whether different governance systems lead to different policy priorities.

It has been estimated that less than 40% of the structural funds are managed at the regional level during the 2007-13 programming period (Barca 2009, 65). If the Cohesion Fund is added, structural funds managed at the regional level account for approximately 30% of the total. The data are illustrative of the application of the funds since 1988. In previous programming periods when the whole territory of the countries examined qualified under the objective 1, the percentage of nationally managed funds may have been even greater. In the countries examined, the evolution of the regions from a financial management role to that of an active political actor has been gradual, if present at all (Kohler Koch 1996, 373).

Lacking a regionalized approach, funding priorities have not been adapted to regional or local needs. Instead, funds have concentrated on perceived national priorities and primarily on the overarching objective of economic growth. Balanced development and territorial cohesion were included among the goals that member states have sought to achieve. Nonetheless, the main emphasis has been economic development at the *national* level (European Commission 2010a, 19). The weak regional development approach has skewed allocation of funding toward the most advanced regions, and particularly the countries' capitals. Although historical and geographical factors may explain the concentration of economic activity in Athens, Dublin, Lisbon, and Budapest, the fact that structural funds direct additional funding to these capitals reinforces these factors, minimizing efforts toward balanced development. As a result, disparities among regions have been growing. While cohesion policy has a mandate to address regional inequality, in the countries examined, structural investments have failed to address issues at the regional level and to contribute to regional convergence.

Given that planning has been centralized, coordinated by either a Ministry of Economy or Finance or Regional Development, or a specialized General Secretariat, the main objective of the countries examined has been economic convergence rather than environmental enhancement. The emphasis of Greece, Ireland, Portugal, and Hungary since 1988 has been on improving economic performance measured in GDP per capita and compared to the EU average. This indicator has been the main metric in assessing the effectiveness of the application of the funds in each programming period. Economic convergence with the EU average has been identified as the main priority in the strategic and programming documents of the four countries examined. Since 2000-06, programming period emphasis has been also on employment (European Commission 2010a, 17). In the 2007-13 programming period the requirement of Lisbon earmarking, concentrated funding even more on creating jobs and generating growth. The short-term impact of the structural funds that serve as stimulus packages in mobilizing the economy constitutes the determining factor of programming priorities. Long-term impacts required for the transition to sustainable development are sidelined.

The countries examined in this study, lagging both in economic development and environmental protection, have consistently placed the environment in second or third place. For years, their main objective was to secure derogations, exceptions, delays, and additional funding in order to support their economic development and converge with the EU average economic indicators. Although EU environmental policy has influenced national environmental policies in the four countries, the adjustment of policy processes and styles has been slower than other member states. Factors such as late industrialization, rapid and unregulated urban growth, weak administration, and relatively low levels of public awareness explain the reactive stance of the laggard countries toward environmental policy (Börzel 2000; McCormick 2001, 9). The countries examined are unlikely to include environmental issues into their development and structural funding priorities unless required to.

The four cases demonstrated that environmental protection constituted an add-on requirement that had to be met, rather than a genuine priority. Strategic priorities of programming documents were adjusted because they were required to. Despite the increasingly engaged role of environmental authorities, their weak status in determining national priorities is reflected in the planning and implementation of each programming period.

Since 2004, a European Network of Environmental Authorities (ENEA) for the Cohesion Policy has been established with the aim to contribute to greater environmental integration in the cohesion policy. Its membership includes environmental authorities, commission representatives, especially from DG ENVI but also from other directorate generals; other European organizations; NGOs; and representatives of managing authorities, serving as an important forum for exchange of information and expertise, and discussion (ENEA 2011). The ENEA network's role during the implementation phase is weak. The administrative and management system of structural funds in each member state is distinct. Hence, the potential for coordinated environmental monitoring on the initiative of national environmental authorities during the implementation phase of the cohesion policy is limited.

At the same time, the cases of Greece and Hungary, demonstrate that strategic priorities in a multi-level system that offer opportunities for dialogue can be influenced toward greater environmental integration. The engagement of environmental NGOs during the planning phase as a result of more open consultation processes, resulted in the inclusion of more environmental provisions. However, in the implementation phase when measurement of policy effectiveness is based on immediate economic results, environmental priorities are sidelined to the extent possible.

In this context it should be noted that the role of monitoring committees, which qualify as formal networks, in shaping the direction of implementation is weak. In Greece, where the interviews conducted provided more details on the committees' functioning, the committee's role is perfunctory. Only in Hungary has there been evidence of an influential role of the environmental actors. The inclusion of additional environmental project selection criteria, for example, has been the result of civil society initiative, rather than a proposal of the authorities.

The case of Hungary demonstrates the constructive contribution that policy networks and expert actors can have in integrating the environment. Despite attempts for a similar role to that of the Hungarian NGOs, the role of civil society in Greece and Portugal has mostly been reactive to investments that have significant environmental impact. In order to contribute constructively during the implementation phase, there is a need to have the necessary support to undertake the demanding task of monitoring progress (Interview #8). Given these weaknesses, the Commission's influence in monitoring committees, introducing conditions for the distribution of funds, is a most effective lever in influencing investment directions. Although the statutory role of the Commission is limited during the implementation phase, in the countries examined its influence remains strong throughout the policy cycle. As a result it is concluded that without an external factor to monitor the application of the structural funds, absorption of funds becomes the main priority.

Environmental priorities do not seem to influence monitoring of the OPs' implementation. In the interviews conducted, EIAs were heralded as the main tool to ensure the environmental conformity of projects. However useful, EIAs do not determine policy choices. EIAs are an important process to identity potential impacts of a project, but they are not sufficient in ensuring environmental integration in the direction of EU co-financed projects. Making sure to avoid and minimize the impact of a motorway, is not the same as asking whether a different transport solution is warranted. The evolution of the regulations reflects the need for comprehensive environmental assessment of strategic priorities. For this reason, the requirement for SEAs was introduced. As SEAs are undertaken in tandem with the development of the OPs, it is very difficult to evaluate the outcome of the SEAs, unless different versions previous to the final OPs are examined. The difficulties that Greece has had in monitoring the provisions of the SEAs is illustrative of the slow process toward developing environmental indicators that can influence change in the project selection. It showcases that the SEAs were once more mostly a requirement that had to be met rather than a tool that could contribute to the redirection of funds toward a more sustainable development trajectory.

Even when environmental projects were selected, the emphasis has been on easier projects with secure outcomes in support of the need for immediate economic results and high absorption rates of funds to stimulate the economy. For example, although Greece identified the potential for securing environmental funds early on, the interviews revealed that this was largely lip service to secure funding that could then be directed to other priorities. Greece has preferred a traditional development orientation that invested in infrastructure and large construction projects. With such an approach, it is only natural that long-term environmental considerations did not emerge strongly in the planning and implementation of EU-funded programmes and that Greece's environmental record remains problematic. But this is not a situation that is peculiar to Greece. Ireland, in particular, demonstrates the emphasis on efficient use of the funds, having chosen projects that will ensure the highest levels of funding absorption. Therefore, focusing on immediate economic results has particularly influential consequences for the implementation phase of the structural funds.

It is not within the scope of this research project to evaluate the macroeconomic effectiveness of the cohesion policy and the extent to which structural funds have contributed to either the past substantial growth rates or the recent significant recession that the countries have encountered. As mentioned in Chapter 4, there is an ongoing academic discussion on the extent to which the policy contributes to economic convergence and cohesion across member states. Despite the interpretation that economic growth constitutes a primary component of cohesion, structural funds constitute only a very small fraction of the total size of the European economy. During the 2007-13 period, structural funds accounted for one third of the EU budget, amounting to the significant amount of more than €350 billion. However, the whole EU budget accounts for approximately 1% of the EU's GDP. While it has been noted that "no other international or translation regime redistributed anything like the 0.8 per cent of GDP that the EU devotes to agricultural and cohesion funding," structural funds cannot be regarded as the main determining factor in the economic development of a recipient country (Hooghe & Marks 2006, 211). There are many other policies in the EU that are directly aimed at inducing economic activity. Cohesion is not only a matter of national macroeconomic data. Rather it is directly linked to the convergence of living standards that are much more comprehensively measured with different indicators and metrics that contain, but are not limited to, GDP per capita comparisons. Environmental indicators and the selected metrics are particularly important in this context. But in measuring convergence, environmental concerns encompassed within the concept of sustainable development are considered a long-term matter. As such, they do not properly correspond to the short-term results toward which the economic and social priorities are geared. The conclusion of a recently completed *ex-post* evaluation of the 2000-06 programming period, including reflections also on the current programming period, was that “overall, except a few successful cases, the opportunity to use the ERDF for supporting the development of innovative environmental activities has been missed” (ADE 2009a, 103).

The implications of this conclusion for the future of the EU are greater than merely a missed opportunity. Decisions made in earlier periods locked in funding options in the future, perpetuating practices that are unsustainable or that only address pressing environmental management needs. Regulations have included additional environmental funding opportunities. However, funds have already been committed to financing tail ends of projects of previous financial cycles. Projects take longer than one programming period to complete. As a result, projects are carried over to the next programming period. There are various factors that influence the extent to which a project will meet a deadline. These include among others, political commitment, the extent to which the project was planned in advance and irrespective of EU funding, and whether there are externally imposed deadlines, strong project management and monitoring (ECOTEC 2003, 139-140). However, having limited funding options is not only a technical matter. It is also institutional as it limits learning and adaptation. For example, the allocation of more funds to transport compared to the environment from the Cohesion Fund, especially in the early years, can be explained by the fact that member states assessed their transportation needs early on and planned ahead so as to have mature projects in the pipeline (ECORYS 2005, 27). This was not the case for the environment. When the capacity on proposing environmental infrastructure was built, more environmental project proposals were submitted. Narrow funding choices restrict innovation and experimentation, which are necessary to meet new and additional environmental challenges. While ideas and new concepts regarding environmental sustainability are clearly influential, having entered the cohesion policy discourse, there is a need to identify and provide the tools necessary to implement these ideas.

Especially in countries such as those examined in this research, these tools are unlikely to develop nationally. Instead, they are dependent on developments at the EU level. The role of the Commission, as the main supranational institution engaged in cohesion policy, is particularly influential in shaping the application of the structural funds. Until the third programming period, the Commission had been engaged actively also in the implementation phase. Its role, however, has since been weakened and is concentrated mostly in the planning phase and the *ex-post* evaluation. The Commission retains management control of major projects – projects that have a budget of over €50 million. Therefore, most monitoring, implementation, and management responsibilities have been transferred to the national and regional levels. It is worth recalling that the Cohesion Fund projects, which until the 2000-06 programming period were managed by the Commission in collaboration with the member state, have also been integrated into the national management process of the structural funds during the current 2007-13 programming period. As a result, the Commission is not engaged in developing the processes, mechanisms, and tools needed in order to redirect programming priorities and funding choices toward environmental sustainability.

To the contrary, while the four countries examined did not have experience in regional development and planning, the capacity of their administrations and managing authorities, at both the central national and at the weak regional level, has increased over the years. Being required to and in order to secure access to funds, public administrations have learned to manage multi-annual programmes and several projects. In Hungary, extensive training had taken place during the pre-accession stage, as well as during the implementation of the 2004-06 programming period, in order to build the country's civil service capacity in managing the structural funds. Similarly, Greece did not initially have the capacity to manage the size of the budget that the structural funds entail. Over the years, it has built an expert technical administration that supports, manages, and monitors the implementation of EU co-financed projects.

However, the capacity is mostly administrative and related to the financial monitoring of the OPs. While the focus on sound financial management is important for overseeing projects of the scale of those supported through the structural funds, it is targeted at the efficiency rather than the effectiveness of the policy. Despite the innovative approaches of DG ENVI and the gradual introduction of environmental priorities in the policy's overarching objectives, the main focus of DG REGIO has been to ensure that funds are spent and to meet its own financial or other political commitments. The environmental dimension does not necessarily enter into the scope of management priorities. Instead, the emphasis is on the efficient distribution of funds.

Furthermore, monitoring of EU co-funded programmes in each of the countries examined, but also across most EU member states, is focused on meeting financial targets by using indicators that are output- and not outcome-based. Indicatively, two of the progress indicators of the policy that have been used in relation to transport projects were kilometers of roads built and motorway and road density. These indicators are based on the assumption that member states and regions should construct more roads until a certain EU road-based average is met, irrespective of actual territorial and transport service needs. The EU sustainable development strategy had identified the need for greater integration to the transport sector already in 2001, with a direct mention of the need for structural funds to contribute to greater policy coherence. Nonetheless, the direction of the funds in the 2000-06 programming period, in the countries examined did not show a change of direction, as expected since the period was designed prior to the strategy's adoption. It has been noted that in the 2007-13 period convergence regions increasingly have focused their environmental investments on priorities such as "renewable energy, green transport, the green economy and a greener governance of Cohesion Policy" (European Commission 2010c, 240). Nonetheless, the case studies in this research reflect only to a very modest extent this change in funding allocation.

Moreover, indicators relating to meters of sewage pipelines did not reveal that the facilities were not operational during the early periods of cohesion policy. Since, they have been replaced with indicators relating to the number of people served by the environmental infrastructure. However, environmental and water quality indicators have not been linked to the monitoring of these EU co-financed projects. Hence, not only are the indicators not adequate in monitoring the effectiveness of EU-funded projects, but also the metrics are not appropriate in ensuring substantive environmental integration. The deficiencies noted in this study have slowly been recognized across the policy, which now shifts to becoming a results-driven policy. However, unless these results are linked to specific environmental objectives, it is unlikely that the environment will be integrated into the programming priorities. The contribution to the transition to sustainable development will remain partial and possibly counterproductive to environmental objectives.

In the absence of a strong environmental management and monitoring mechanism, the implementation process is open to the influence of various interests and actors. The detailed examination of the case of Greece, a country without a planning and programming tradition, illustrated the out-of-proportion influence of special interest groups, confirming the theoretical observation that without clear rules, monitoring mechanisms, and strong institutions, networks can create nepotistic behaviors and lead to corruption. The influence of informal networks during the implementation phase was significant, as the available of funds allowed for a perpetuation of the country's clientelist relation linked to public works. Although the evidence in the remaining countries examined was not sufficient to evince similar influences, the case of Greece highlights that cohesion policy as a redistributive policy attracts many actors with varied interests and objectives. Hence, the necessity for a results-based policy with appropriate monitoring mechanisms becomes clearer in settings with weaker institutions, as is the case in countries such as Greece.

Having demonstrated the weakness in indicators and monitoring tools in place, it should be mentioned that attempts to integrate environmental concerns have taken place in other regions and countries, while research results are beginning to produce sustainability indicators that could be used in EU co-financed projects (Clement 2005b; Macleod 2005; Houghton and Counsell 2004; Ekins, Dresner and Dahlström 2008). More recently, there is growing discussion on environmental and climate conditionality with regard to the 2014-20 programming period (Interview #9, #28). Such a requirement was tested in France in preparation of the 2007-13 period. In addition to the required SEAs, a mechanism was established to evaluate and assess the carbon emissions and therefore also the impact on climate change of OPs.[99] Through this innovative tool an effort was made to promote only climate-neutral ROPs during the 2007-13 period. Hence, there is a pool of tools from which lessons can be learned. The support of policy networks and expert advice can be crucial and constructive. For example, the ENEA network issues common positions that although not binding, demonstrate a reflection on the future of the cohesion policy and its direction. However, unless these tools are integrated formally into the monitoring system of the cohesion policy, it is unlikely that countries such as those examined in this research will apply them.

Before closing this section of exploration of the gaps in the governance system of the cohesion policy, a final point is deemed necessary regarding the policy's evaluation process. Although over the years a growing emphasis has been given to the need to evaluate the policy *ex-post*, in practice the policy "must be the only policy that is not evaluated" (Interview #8). As discussed, the evaluation emphasis, even in the economic and social aspects, has been on outputs, rather

[99] The evaluation was undertaken based on a modeling tool, NECATER that evaluates carbon emissions from various development interventions (Zhechkov 2010).

than results. Distribution of funds becomes the main criterion of evaluation. Financial analysis, however, is limiting as the qualitative approach of this research project has revealed. Changes in GDP per capita alone limit the evaluation potential.

The comprehensive evaluation of the 2000-06 programming period demonstrates signals of change in the previous practice. The conclusions of the evaluation were significant. However, they were published too late (2010) to influence realistically and substantively the 2007-13 programming period. Rather, they are used as a basis for the formation of the proposals for the 2014-20 financial perspective. Hence, the planning for the next programming period currently under way is based on a systematic review of the 2000-06 period and only on sporadic information regarding the 2007-13 period, which promoted sustainable development as its overarching objective. This time lag is particularly problematic for environmental integration, which has been incremental and gradual. The 2007-13 programming period has introduced several additional environmental parameters. However, without evaluation of the extent to which they have resulted in a change in processes and outcomes, the design of the next programming period may not address the implementation challenges faced. Similarly, it may be based only on programming commitments of member states, which, as this research project has demonstrated, are not adequate in revealing actual investment direction.

In view of the cohesion reform that is currently underway in preparation of the 2014-20 programming period, a note of caution in this context is pertinent. While discussing with a Commission official on the future of the cohesion policy, it was mentioned that sustainable development and environmental protection as a requirement are considered battles that have been won (Interview #28). Despite this affirmation, a recent study has concluded that "the relation between the EU sustainable development strategy and the structural funds is controversial" constitutes a suitable conclusion of how the cohesion policy has addressed sustainable development (ECORYS 2008). Moreover, it has been noted that the Commission, recognizing that "sustainable development is not sufficiently mainstreamed," emphasized that greater attention should be placed on the governance of the EU funds in order to ensure results that have a meaningful impact on the sustainability of the EU regions (European Commission 2011k). This research project confirms these conclusions, emphasizing the role of the Commission itself in the cohesion policy system of governance.

The recent establishment of the directorate general for climate action (DG CLIMA) has brought a further challenge to the integration of environmental concerns (Interview #28). Climate change, as a political priority with significant leverage, can serve as a breaking force in the attainment of sustainable development. The Lisbon Treaty added a special note regarding the promotion of climate change in the environment chapter. The emphasis on climate evinced in the 2007-13 programming period is expected to remain in all proposals for the future, as illustrated in the provisions of the Europe 2020 strategy. Although clearly an environmental topic, within the institutional structure of the Commission, it is a distinct priority of DG CLIMA and not DG ENVI. Hence, DG ENVI with the remaining environmental agenda has had to demonstrate once more institutional entrepreneurship in order to ensure access to the structural funds. This effort is evinced in the renewed focus of DG ENVI on biodiversity conservation and the introduction of the resource efficiency initiative, both of which are environmental priorities that are linked to economic development and allow for access to the structural funds (Interview #28). The Commission is a multifaceted institution, within which various actors promote different priorities. Nonetheless, the fact that there is a statutory requirement to integrate the environment ensures that both DG ENVI and DG CLIMA will remain involved in the policy.

The Europe 2020 strategy for smart, sustainable and inclusive growth identifies cohesion policy as an instrument that will support its implementation. The support, however, is qualified in a manner that seems to confirm, instead of trying to avoid, the above-mentioned contradictory contribution of the funds. Specifically, the European Council stressed "the importance of promoting economic, social and territorial cohesion as well as developing infrastructure in order to contribute to the success of the new strategy" (European Council 2010b). In other words, it seems that emphasis is once more given to the traditional terrain of infrastructure investments that have *short-term* economic benefits.

This section has uncovered important factors that may explain the gap between regulatory commitments and practice with regard to environmental integration in the application of the structural funds in the countries examined. Cohesion policy has failed to address issues at the regional level, focusing on perceived national economic priorities. Structural funds have been viewed as instruments to stimulate the economy. Emphasis has been placed on meeting short-term economic and social indicators, rather than making a long-term environmental contribution. Investments have been directed toward those projects that maximize absorption.

Gaps can be identified across all levels of governance. Despite being hailed as one of the EU's most important policies, accounting for more than a third of the EU budget, efficient absorption of funds, rather than effective use of the funds, has been the main management and monitoring priority. The main finding of this research project is that the EU level has been largely ineffective at overseeing the adjustment of management, monitoring, and evaluation tools to the new policy objective of environmental integration as a core component of sustainable development.

Theoretical perspectives

The theoretical perspectives examined in Chapter 2 are recalled in order to place the examination of the ineffective integration of the environmental objectives to cohesion policy in the broader conceptualization of the EU. Environmental protection was not included in the original Treaty objectives. The interpretation of its emergence and evolution into a central EU element of the integration process, indeed an overarching objective of the EU and a shared competence between the EU and the member states, can be explained having the benefit of the various theoretical perspectives. Having such a synthetic approach, the idiosyncrasies of each case examined were inferred in order to provide the necessary contextual information to explicate policy outcomes.

Viewed as a technical issue that could disrupt the economic integration, according to the neofunctionalist perspective, environmental protection is a typical example of functional spillover. A post-functionalist contribution would complement this explanation, adding that with environmental degradation a topic of public concern, European environmental policy constitutes a response to public demand in an early effort to retain the EU's relevance and demonstrate that the integration process is not merely an elitist preoccupation. The intergovernmentalist perspective, considering the environment a matter of low politics, can recognize the potential mutual benefits that emerge when states cooperate around a topic with cross-border dimensions. Furthermore, from a new institutionalist perspective, the topic of environmental protection offered opportunities for autonomous initiatives of European supranational institutions that locked the integration process into remaining active in the selected sector. In addition, to comply with the agreed-upon provisions, national authorities adapt to European environmental requirements, while also becoming stakeholders in the constant revisions of existing standards and legislation, as well as in the expansion of the agenda to new environmental concerns. In other words, they engage in a process of Europeanization. Environmental policy, being a policy that requires implementation at the local level, also fits the model of the EU as a multi-level system of governance. In addition, the dependence of environmental policy on scientific evidence, according to policy network theory, offered access opportunities to specialized epistemic communities, while environmental policy networks clustered around European institutions seeking to influence the policy process. At the same time, the interaction with other lobbying groups, transnational and subnational, necessitates reasoned deliberation. This research project, however, has examined the extent to which this policy of growing importance interacts and influences as an idea the implementation of cohesion policy.

Therefore, it is also important to examine the evolution of the cohesion policy, as a shared competence between the EU and the member states, through the various theoretical perspectives. The policy emerged as a neofunctionalist spillover to counterbalance the effects of the economic integration process that threatened the viability of the project. Convergence of development levels across the regions of the European Union forms an essential objective of the EU and is considered a necessary condition of its viability. Structural funds are one of the EU's main financial instruments to improve living standards across its territory, and particularly in those regions most in need. The framework of the policy, at the same time, is limited by what seems to be an intergovernmental bargain on the EU budget. Although various negotiations tactics are used by the member states in order to direct the final funding allocation, the outcome is influenced by other actors. Firstly, as liberal intergovernmentalism would argue, it is influenced by domestic interests that seek specific policy outcomes. Secondly, as new institutionalism asserts, it is influenced by the European institutions since the European Commission proposes the financial perspective, having significant agenda-setting influence, and also by the European Parliament, which needs to eventually accept it.

This account of the two policy fields examined in this research project illustrates the added value of examining the EU through the lenses of more than one theoretical perspective in a complementary approach. Although the discussions on the EU budget and the allocation of the structural funds can be explained also through an intergovernmentalist perspective, the evidence that this research project has examined has not rendered the approach useful in explaining the integration process. There is no doubt that neofunctionalism offers a most insightful interpretation of the integration process over the years, as the agenda of the EU expands opening to new challenges, including environmental integration and promoting the sustainable development of the EU as a whole.

At the same time, the reflections of new institutionalism, constructivism, and post-functionalism complement its observations in order to explore differing policy outcomes. No doubt the state remains a strong actor, but it is neither monolithic, as realists would argue, nor influenced only by domestic actors, as liberal intergovernmentalists would suggest. As mentioned, the multi-level governance approach is a useful presentation of the EU that, with insights from the various theoretical perspective, creates a framework for the exploration of the integration process. While the four member states have demonstrated extensive resilience and resistance to change with respect to integrating environmental consideration in the application of the structural funds, this does not weaken the influence of the supranational and subnational levels in implementing the policy. Although there is no clear dominant institution in the process from the design to the implementation of the structural funds, it became evident that there are actors that are most influential at particular stages and that there are processes and tools that influence the section of priorities to be funded. In this context, the Commission, that is the supranational level, has an important role in planning the policy priorities. Other actors, institutions, and formal and informal networks influence implementation at the national and regional levels.

Therefore, the study identifies new institutionalist analysis as a critical additional component to the examination of the EU's governance system. Cohesion policy encourages the interaction of various levels of government, particularly regional governments, as well as input of various partners. The engagement of these actors leads to a reasoned argumentation to justify the distribution of funds and the financing of specific projects. The comprising elements of the common convergence objective are altered as a result of these discursive processes. It is for this reason that the insights of the constructivists and post-functionalist approaches are identified as most useful in exploring the processes that lead to the expansion of the EU agenda, as neo-functionalism predicted, to include also environmental sustainability.

Concluding remarks

Missing links in the multi-level governance of the EU lead to partial ineffectiveness of the EU in supporting the transition to sustainable development. The partiality applies for two reasons. First, there is sporadic evidence of instances that demonstrate how the structural funds have the potential to contribute positively to the transition toward sustainable development. Second, the ineffectiveness was confirmed for countries with specific characteristics. However, it was because of these characteristics that they formed an appropriate sample to explore the extent of policy change over time. Sustainable development requires a change in values that is not easy to achieve in countries that do not have a strong environmental tradition. Hence, the research provided an important testing ground for the examination of the effectiveness of the EU governance system in providing the necessary triggers for the change to take place.

While the structural funds regulations have included increasingly environmental priorities, the research demonstrated that while legal provisions are necessary – and influential – they are not sufficient in reorienting funding priorities. Processes, mechanisms, and tools in place – as well as legal provisions – create the institutional framework to implement commonly accepted ideas, norms, and values. This research demonstrated that in the EU institutions – the Commission in particular – there is lack of involvement in overseeing the policy's implementation. In member states such as those examined in this research project, the European Commission at the EU level has not been engaged effectively in redirecting funds toward environmental protection, restoration, and improvement as necessary elements for the transition to sustainable development.

Given that sustainable development is a central EU objective enshrined in the Treaty, the Commission as its statutory guardian has the legal responsibility to ensure that European policies support the transition toward its attainment. The remarks included in this concluding section of the review of the analysis that this research project has undertaken provide suggestions with an outlook to the future that could lead to a more effective use of the funds. While the criterion is the experience of the four countries examined in this project, with their specific characteristics, it is argued that the effectiveness of cohesion policy as a whole, applied across the EU, can benefit from the adjustments proposed.

Currently the financial crisis dominates the political and policy discourse. Hence, there is a risk to overemphasize economic priorities in contrast to environmental ones. Conclusions of studies, such as the *Stern Report*, support the scientific evidence available that action can wait no longer, by advancing an economic case for early action (Stern 2006). Environmental investments – those targeted not only at addressing environmental degradation, but also directly at environmental protection and improvement – have the greatest development potential and a high return on the investments made. Studies that the EU has funded or supported, such as *The Economics of Ecosystems and Biodiversity* report and the international dialogue on the transition *Beyond GDP*, provide ample additional support for the EU's active involvement (TEEB 2008; 2010; Beyond GDP 2011). Hence, rather than "tak[ing] into account sustainable development," this research project concludes the introduction of institutional changes and a greater engagement at the EU level can lead to a more effective implementation of the EU's commitment to sustainable development (Barca 2009, 68).

More environmental priorities need to be integrated into the environmental funding opportunities than pollution-management infrastructure projects. Environmental funding that is earmarked to specific environmental policy targets, in the same way that the 2007-13 programming period earmarked funds to jobs and growth, has the potential to lead to change in practice. Laying out funding options whose implementation is voluntary leads to only partial effectiveness. Based on common binding EU environmental priorities, structural funds can support the achievement of specific national environmental targets. These environmental priorities have been already adopted at the highest political level or have been integrated into the environmental *acquis* that covers a wide range of issues that require financial assistance in order to be appropriately implemented. They are not limited to the very first EU drinking water, wastewater, and waste directives. In addition to climate-related activities, implementation of the nature, water, and marine directives, among others, need to be also included in earmarked funding priorities. Funding targets could be in line with deadlines included in EU directives, so as to encourage prompt implementation. Especially for biodiversity-related projects, a prioritized action framework for Natura 2000 would support the attainment of the new EU 2020 biodiversity targets. Following adoption of these targets, the European Commission can engage actively in the oversight of the use of the funds, drawing from the experience and feedback provided by a variety of actors involved on the basis of the partnership principle.

Unlike the practice with investments in environmental infrastructure, it is not argued that it is an effective use of the structural funds simply to underwrite environmental protection, without contributing to a change in the development model that countries and the EU pursue. The challenge that sustainable development poses is the need to integrate environmental protection and improvement into economic and social priorities. Environmental protection cannot operate in a silo. Structural funds have an important leverage potential, offering an integrated framework for the identification of innovative approaches to mainstream environmental protection.

Sustainable development requires the active promotion of environmental protection since only healthy ecosystem can continue delivering the ecosystem services that form the foundation of prosperity and well-being. Additional environmental funding opportunities targeted at environmental protection can render the structural funds effective in leading the EU to a transition toward sustainable development. Environmental targets and funding opportunities will have to be placed within the context of the overall Europe 2020 Strategy. The Commission’s entrepreneurial adjustment to new circumstances, agenda-setting, and norm-creating potential is already identified in the resource efficiency flagship that has brought through environmental concerns, once more, to the forefront. It is important to ensure that the three pillars of sustainable development are integrated comprehensively in the funding provisions, particularly from the structural funds, that will implement the Europe 2020 Strategy, giving the proper emphasis to the environmental pillar. Otherwise, the emphasis will once more remain on sustainable economic growth, instead of sustainable development.

Furthermore, it is important that SEAs are carried out for both strategic (e.g., common strategic frameworks and partnership contracts) and programming documents (operational programmes). Provision on behalf of the Commission of guidelines to assist the application of this relatively new and challenging tool could improve their application. In this context, it is important to integrate the concept of “green infrastructure” that aims at conserving ecosystem services as a viable alternative to proposals, either at the programme or the project level, for new “traditional” infrastructure across the EU. Appropriate indicators and evaluation criteria are critical in proceeding in this direction.

Cohesion policy with its multi-level system of governance allows various institutions, the Commission, subnational actors, and formal and informal networks to interact in shaping the integration processes, not only in the sphere of legal and regulatory commitments but also in the actual implementation at the regional and local levels. During the planning phase, and throughout the conduct of the SEAs, it is important to ensure the conditions for the provision of adequate, timely, and substantive feedback on the potential overall impact of national or regional development choices. In fact, throughout the policy process, from the planning to the implementation and monitoring, there is an identified need to strengthen participatory consultation processes and opportunities for more open monitoring systems. When such processes are in place, the expert and technical recommendations of engaged partners that can justify environmental provisions can be integrated. Transparent and open processes have the potential to limit the influence of informal networks that seek to prioritize their own special interests.

Shared competence between different levels of government requires active engagement of all actors at all stages of the policy cycle. While the Commission has encouraged greater involvement of environmental authorities and other actors, including environmental NGOs in the planning processes, its own role in monitoring the operationalization of environmental commitments during the implementation phase of the policy has lessened over the years. Retrospectively, the second programming period is not considered the most effective in terms of promoting environmental integration, due to its focus on infrastructure investments. However, it demonstrates that tighter control mechanisms can generate specific results.

In the case of environmental integration, therefore, there is great potential for institutional entrepreneurship, beyond the strict focus of implementing the fundamental environmental *acquis*, which is a given. Closer monitoring of the implementation process will identify the capacity-building needs and offer appropriate training and learning opportunities. Additional checks are needed in order to ensure that EU funds do not lead to further environmental degradation or continuation of unsustainable practices. It goes without saying that *projects that are assessed as carrying a potential threat for the environment should not be eligible for EU funding*. A sustainability checklist used to provide environmental proofing of proposed projects can result in a significant redirection of funding. The checklists, such as those that Hungarian NGOs successfully proposed in the 2007-13 management processes, should be common across the EU. Checklists that reflect EU priorities set at the EU level, allowing for some adjustment to national and/or regional circumstances, could lead to more coherent use of the funds.

Engaging non-state actors in the implementation can help to channel funds to those areas that are mostly needed and to benefit from the availability of other resources, including private investments. For example, in such areas as renewable energy and resource efficiency, EU funds should serve as the catalyst for the active engagement of the private sector, rather than providing complete financial coverage of projects. On the contrary, activities that are more difficult to attract private interest, such as conservation activities, should be supported through the allocation of earmarked EU funds.

Although it is not argued that the Commission and DG REGIO *should* become the EU environmental "police force," the case is made that a grater involvement of the EU level has the potential to lead to more effective outcomes (CSIL 2010, 43). Without an explicit requirement for assessing the climate impact of programmes co-financed by the EU, it is *unlikely* that any of the four countries examined will voluntarily adopt the French system of calculating potential CO_2 emissions in determining climate-neutral interventions. Such tools are unlikely to develop or be implemented with substantive results, unless there is an institutional framework in place to encourage, teach and require and evaluate. Environmental earmarking, conditionalities, guidance, capacity building, and incentives are therefore required. Conditionalities put in place in order to discourage member states from neglecting to take measures in a timely fashion could lead to a more rapid transition to sustainable development. As an example, greater participation of national funds could be required for projects that aim at meeting earlier deadlines of EU environmental directives. In the case of the "old" cohesion member states, for example, fewer funds should be granted for the implementation of the drinking water and wastewater directives, in comparison to newer challenges such as climate change adaptation and biodiversity conservation. Reorientation of policy and funding priorities requires a systematic and more engaged partnership of all levels throughout the policy cycle.

Although there is not one solution that can lead to sustainable development, the institutional framework *must* be based on instruments that will allow multiple actors to choose from multiple opportunities that can meaningfully promote its environmental pillar. Cohesion policy, therefore, contains all the characteristics to apply what has been referred to as *sustainable development diplomacy* (Hoogeveen, Moomaw, Najam, and Verkooijen 2012). Unlike the international arena, cohesion policy and the EU have the advantage that there is already explicit statutory agreement on shared competence between member states and the legal base in order to proceed. Making use of the policies available, the EU has the potential to initiate a multi-level and multi-dimensional discourse that will explore and implement alternative paths to sustainable development. Using the structural funds mainly to improve the economic status of a country constitutes an inefficient application of the funds that offer additional advantages. The cohesion policy principles of additionality, programming, planning, concentration, and partnership can support a trial-and-error approach that will be targeted to identifying the path toward sustainable development.

Given the gradual transfer of environmental loyalty to the supranational level, in terms of environmental protection, the EU's role is particularly significant. As recent theoretical observations on the EU's legitimacy suggest a stronger focus on environmental integration, which is a distinct European value, through EU co-financed projects, can raise the EU's legitimacy. These projects are visible to the citizen and can render the EU more relevant to the public. In fact, such an approach could provide the most appropriate exit strategy for the EU from the current financial, social, and environmental crisis, leaving behind the older models of unsustainable development.

CHAPTER 9: CONCLUDING REMARKS

This research project set out to explore whether EU was on a sustainable track. At the time when the idea for a doctoral research was conceived, this student was in Brussels following the workings of the European Convention on behalf of WWF, the global conservation organization. Her main task was to lobby the members of the Convention to retain sustainable development as a core EU policy objective in the European Constitution they were drafting. Early drafts of what would then become the Constitutional treaty and later the Lisbon Treaty had omitted the relevant text from the previous treaties. A year following the World Summit on Sustainable Development, with its emphasis on the need for urgent implementation of promises and declaration of the decade since the Rio Earth Summit, and at a time when the EU's sustainable development strategy was becoming operational, the EU's self-assertion as a global leader was in danger of being compromised. A few years after the European Convention had been completed, the final text of the Lisbon Treaty reconfirmed sustainable development, incorporating its three pillars – economic, social, and environmental – as an overarching objective of the EU. Exploring the extent to which practice meets rhetoric – the focus of this research – is largely based on this experience in Brussels.

Seeking to identify instances that could confirm commitment to sustainable development in practice, cohesion policy seemed to be an example from which important lessons on the EU as a whole could be drawn. Indeed, it was perceived as a model for development assistance programmes around the world. Cohesion policy principles, mechanisms, and, most significantly, its declaratory commitment to sustainable development provided the necessary framework to guide valuable funds in the pursuit of a different paradigm that could support the transition toward sustainable development. There was no doubt that greater effort was needed – science is rich in evidence of the alarming state of the natural environment. However, it was assumed that the fault lay mostly with the member states and the regions that did not take advantage of the opportunities available.

The questions that the research project identified reflect this background:

1. How have the structural funds addressed sustainable development and especially its environmental pillar?

2. Why have the structural funds been applied in the way that they have, and to what extent has their application supported the realization of sustainable development?

In the process of developing a hypothesis to be tested, it became clear that the situation was more complex, as it always is. This was more than a story about failed expectations. The scope of the study broadened in an attempt to explore the multiple levels of governance through a comparative approach among the experiences in Greece, Ireland, Portugal, and Hungary. At the same time, the mere size of the task required narrowing and focusing. Hence, the examination remained at the strategic and programming level, without delving into the level of specific projects funded. Within the limitations that this approach offers, there is significant opportunity to draw general conclusions.

Having established that the regulatory framework of cohesion policy has incrementally integrated environmental considerations, it was found that the countries examined have had economic growth as their guiding policy priority. Even though the number of lines and pages dedicated to the environment, both in strategic documents and operational programmes, has increased, and sustainable development is mentioned more often over the years, not much has changed in practice. The priority of environmental protection has been resisted as it is considered an impediment to growth. Still operating on a premise of traditional economic development, Greece, Ireland, Portugal, and Hungary selected investments that focused on infrastructure development.

While the imperative of sustainable development requires rapid and radical changes, the evidence from this research project is that change in funding priorities is slow, modest and at times counterproductive. It was demonstrated that there are gaps in the EU multi-level governance system that can explain the ineffectiveness of the cohesion policy in supporting the transition to sustainable development. The EU institutions – the Commission in particular – have not responded adequately to overseeing the implementation of the revised cohesion policy objective. Processes, instruments, and mechanisms in place are not efficient in shifting pre-existing priorities and redirecting structural funds toward environmental protection, restoration, and improvement as necessary elements for the transition to sustainable development. Given that the greatest share of funds is allocated to member states that share many of the characteristics of the four countries examined, the findings of the research project question the effectiveness of the application of the structural funds not only in these member states, but also across the EU.

As the research is concluded, it is recognized that prospects for further research on the transition to sustainable development are many. The hypothesis and the conclusions should be further tested and explored, in other member states and other EU policy fields, including policies such as the common agriculture and fisheries policies. While the field of research is open, it is emphasized that focused and detailed qualitative analysis, rather than only quantitative analysis, is essential in order to develop a better understanding of policy outcomes.

Future research projects can explore whether and how the structure of national governance systems, centralized *versus* regionalized, as well as those that have more open and transparent decision-making processes, impact the delivery of environmental objectives. Zooming in to the project level, further research projects can focus on the project level to identify the necessary conditions that result in more innovative projects. Drawing on the few instances of such projects in the four countries examined or in others that share the characteristics of the countries that were selected for this study could contribute in identifying the critical levers that could lead to change.

Zooming out to the policy level, the experience of the application of the structural funds can be contrasted either with the experience of structural assistance programs undertaken by international organizations, such as the World Bank, or with development assistance programs implemented in developing countries. Such comparisons could verify the extent to which the regulatory and legal framework within which the structural funds are applied offers an important added value in the transition to sustainable development.

In addition, the findings of this study offer opportunities for further research that can contribute both to policy and theory development. Given the gaps in securing EU funding for environmental priorities that this study has revealed, further research is needed also in identifying the programme- and project-level monitoring indicators that will ensure that results properly reflect the evolving cohesion policy objectives. Additional research is needed in identifying the specific metrics that can most appropriately measure impact of funding priorities. The identification of environmental indicators, to be used together with economic and social indicators already in place, can provide an important tool to guide the application of structural funds with respect to promoting environmental sustainability.

The study demonstrated the important governance gaps that explain the partial ineffectiveness of the EU's cohesion policy in meeting its sustainable development objective. Within the multi-level governance system of the EU, the role of the European Commission was found to be both influential and weak in ensuring the delivery of policy objectives. As a result, further research is needed in determining the conditions under which the Commission can more effectively take on its role of promoting the long-term sustainability impact of EU investments, rather than being limited to overseeing short-term economic results. An examination of these conditions can illuminate the theoretical conceptualization of the EU as it can test the requirements for further European integration within its revised overarching objective of sustainable development.

The clock of environmental degradation is ticking. Scientists warn of the urgent need to change to a new model of economic development. The imperative of environmental integration is stronger today than it was when the concept of sustainable development was first conceived. The aim of this research projects has been to examine the EU’s participation in the global effort to achieve sustainable development. This has been a story of promise. However, there are important shortcomings and setbacks that undermine the promising potential.

At the Rio+20 Summit, the EU has the potential, instead of advancing additional declarations, to demonstrate its commitment to sustainable development *in practice*. This research project provides evidence to support that the EU *must* expand its efforts to incorporate environmental concerns into its cohesion policy. Reforms are required to modify past practices and allow for innovations to take place. Planning of the 2014-20 programming period is already under way. By understanding the lessons learned, perhaps the findings of this research can contribute to a more rapid and also more responsible transition to a sustainable future for Europe.

APPENDIX I – ABBREVIATIONS

ASEAN	Association of Southeast Asian Nations
BMW	Border, Midland and Western Region (Ireland)
CAP	Common Agricultural Policy
CBD	Convention on Biological Diversity
CEE	Central and Eastern Europe(an)
CF	Cohesion Fund
CSF	Community Support Framework
DG	Directorate General (European Commission)
DG CLIMA	Directorate General for Climate Action, European Commission
DG ENVI	Environment Directorate General, European Commission
DG REGIO	Directorate General for Regional Policy, European Commission
EAFRD	European Agricultural Fund for Rural Development
EAGGF	European Agriculture Guidance and Guarantee Fund
EAP	Environment Action Programme
EC	European Community
ECJ	European Court of Justice
ECOP	Economic Competitiveness Operational Programme (Hungary)
ECSC	European Coal and Steel Community
ECU	European Currency Unit (pre euro)
EEAS	European External Action Service
EEC	European Economic Community
EEOP	Environment and Energy Operational Programme (Hungary)
EES	European Employment Streategy
EFF	European Fisheries Fund
EFSF	European Financial Stability Facility
EFSM	European Financial Stabilisation Mechanism
EIA	Environmental Impact Assessment
EIB	European Investment Bank
EIOP	Environmental Protection and Infrastructure Operational Programme (Hungary)
EMU	Economic and Monetary Union
ENEA	European Network of Environmental Authorities
ENVIREG	Regional Action Programme on the Initiative of the Commission Concerning the Environment
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EU-12	The EU-12, referred to also as the new member states, are the 12 countries that joined the EU in the most recent enlargement processes, in 2004 and 2007.
EU-15	The EU-15, referred to also as the old member states, are the 15 western European countries that comprised the EU prior to the 2004 enlargement.
EU-25	The 25 member states of the European Union, at the time.
EURATOM	European Atomic Energy Community
FDI	Foreign Direct Investment
FIFG	Financial Instrument for Fisheries Guidance
G8+5	Group of the Eight largest world economies and the Five biggest

	industrializing economies
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
IEEP	Institute for European Environmental Policy
IFRD	Financial Institute for Regional Development - Instituto Financeiro para o Desenvolvimento Regional (Portugal)
IMF	International Monetary Fund
IMP	Integrated Mediterranean Programme
INTERREG	Interregional Cooperation Programme
IPCC	Intergovernmental Panel on Climate Change
ISPA	Instrument for Structural Policies for Pre-Accession
IUCN	International Union for Conservation of Nature
MEP(s)	Member(s) of the European Parliament
MFF	Multi-annual Financial Framework
NAFTA	North American Free Trade Agreement
NATO	North Atlantic Treaty Organization
NDO	Office of National and EU Support of Hungary
NDP	National Development Plan
NGO(s)	Non-Governmental Organization(s)
NIMBY	Not in My Back Yard
NSRF	National Strategic Reference Framework
NUTS	Nomenclature of territorial units for statistics
OECD	Organization for Economic Cooperation and Development
OEEC	Organization for European Economic Cooperation
OP	Operational Programme
OPC	Open Method of Coordination
PASOK	Panhellenic Socialist Movement
PHARE	Poland and Hungary Assistance for Restructuring their Economy
RCC	Regional Coordination Commission (Portugal)
RDC	Regional Development Councils (Hungary)
RDF	Regional Development Fund (Hungary)
ROP	Regional Operational Programme
S&E	Southern and Eastern Region (Ireland)
SAPARD	Special Accession Programme for Agriculture and Rural Development
SEA	Strategic Environmental Assessment
SEA	Single European Act
SOP	Sectoral Operational Programme
TEEB	The Economic of Ecosystems and Biodiversity
TEN-T	Trans-European Networks-Transport
TOP	Transport Operational Programme (Hungary)
UK	United Kingdom
UN	United Nations
UNEP	United Nations Environment Program
US	United States
WSSD	World Summit on Sustainable Development
WWF	Worldwide Fund for Nature (known also as World Wildlife Fund)

APPENDIX II – LIST OF INTERVIEWS

Interview #1	European Commission	14 March 2011
Interview #2	European Commission	14 March 2011
Interview #3	European Commission	16 March 2011
Interview #4	Environmental NGO	16 April 2011
Interview #5	Ministry of Environment, Energy and Climate Change, Greece	18 May 2011
Interview #6	Ministry of Economy, Greece	25 May 2011
Interview #7	Independent consultant	31 May 2011
Interview #8	Environmental NGO	3 June 2011
Interview #9	Ministry of Economy, Greece	7 June 2011
Interview #10	Academic	8 June 2011
Interview #11	Ministry of Economy, Greece	10 June 2011
Interview #12	Ministry of Economy, Greece	14 June 2011
Interview #13	Independent consultant	22 June 2011
Interview #14	Environmental NGO	29 June 2011
Interview #15	Labor Union	30 June 2011
Interview #16	European Commission	30 June 2011
Interview #17	Other European institution	30 June 2011
Interview #18	Academic	1 July 2011
Interview #19	Management Authority, Greece	4 July 2011
Interview #20	Management Authority, Greece	4 July 2011
Interview #21	Ministry of Economy, Greece	4 July 2011
Interview #22	Management Authority, Greece	5 July 2011
Interview #23	European Commission, Greece	5 July 2011
Interview #24	Management Authority, Greece	8 July 2011
Interview #25	Management Authority, Greece	8 July 2011
Interview #26	Ministry of Environment, Energy and Climate Change, Greece	8 July 2011
Interview #27	Ministry of Environment, Energy and Climate Change, Greece	12 July 2011
Interview #28	European Commission	6 August 2011
Interview #29	Management Authority, Greece	4 July 2011
Interview #30	Management Authority, Greece	4 July 2011

APPENDIX III – INTERVIEW QUESTIONNAIRE

1. How do you define sustainable development? Is it a clear concept for you and your organization?
    a. To what extent do you believe that the three pillars of sustainable development (economic, social and environment) are given equal weight?

2. How is sustainable development integrated in the planning of each financial perspective?
    a. When discussing the priorities for the EU budget (during the planning of each financial perspective) how has the EU objective of sustainable development, influenced the proposals of your organization for funding allocation? Have your positions changed over time? How?
    b. To what extent do you think that cohesion policy can contribute to the attainment of sustainable development in the EU?

3. There is a noticeable change in the language of the EU structural funds regulations over the years, as the regulations call for greater integration of environmental and social considerations in the application of the Structural Funds.
    a. Did this change influence the way your organization perceived the overall use of the EU Structural Funds?
    b. To what extent are environmental considerations taken into account during the planning of programming periods? How has this changed over time?
    c. What social/ environmental partners are involved in this process? Have the role of partners changed over time?

4. There is a noticeable change in the language of programming (CSFs, NSRFs) and operational (OPs) documents over time in order to meet the regulation requirements with regards to sustainable development and environmental integration.
    a. What type of provisions within a programming or operational document would demonstrate that the commitment to sustainable development is "honest" (e.g. references to EU policy objectives, specific mention of Directives, detailed discussion of targeted measures, allocation of funds)?
    b. How are contradictory or opposing priorities dealt with? How are these balanced within the CSFs and NSRF? How has this changed over time?
    c. To what extent are environmental considerations integrated horizontally rather than treated separately (e.g. discussion in NSRF separate or environment measures funded only through a sectoral "environment" OP, etc). Has this changed over time?

    d. To what extent are environmental authorities (at the central or regional level) involved in the planning of OPs? Are their contributions taken into account? Has this changed over time?

5. To what extent is the partnership principle applied during the planning and implementation phase?
    a. To what extent do economic interests of specific groups influence the way that programmes are designed, and priorities and measures outlined?
    b. What other actors, in particular socio-economic and environmental actors, are involved? How influential are they? Are these partners treated in the same way as other group interests?

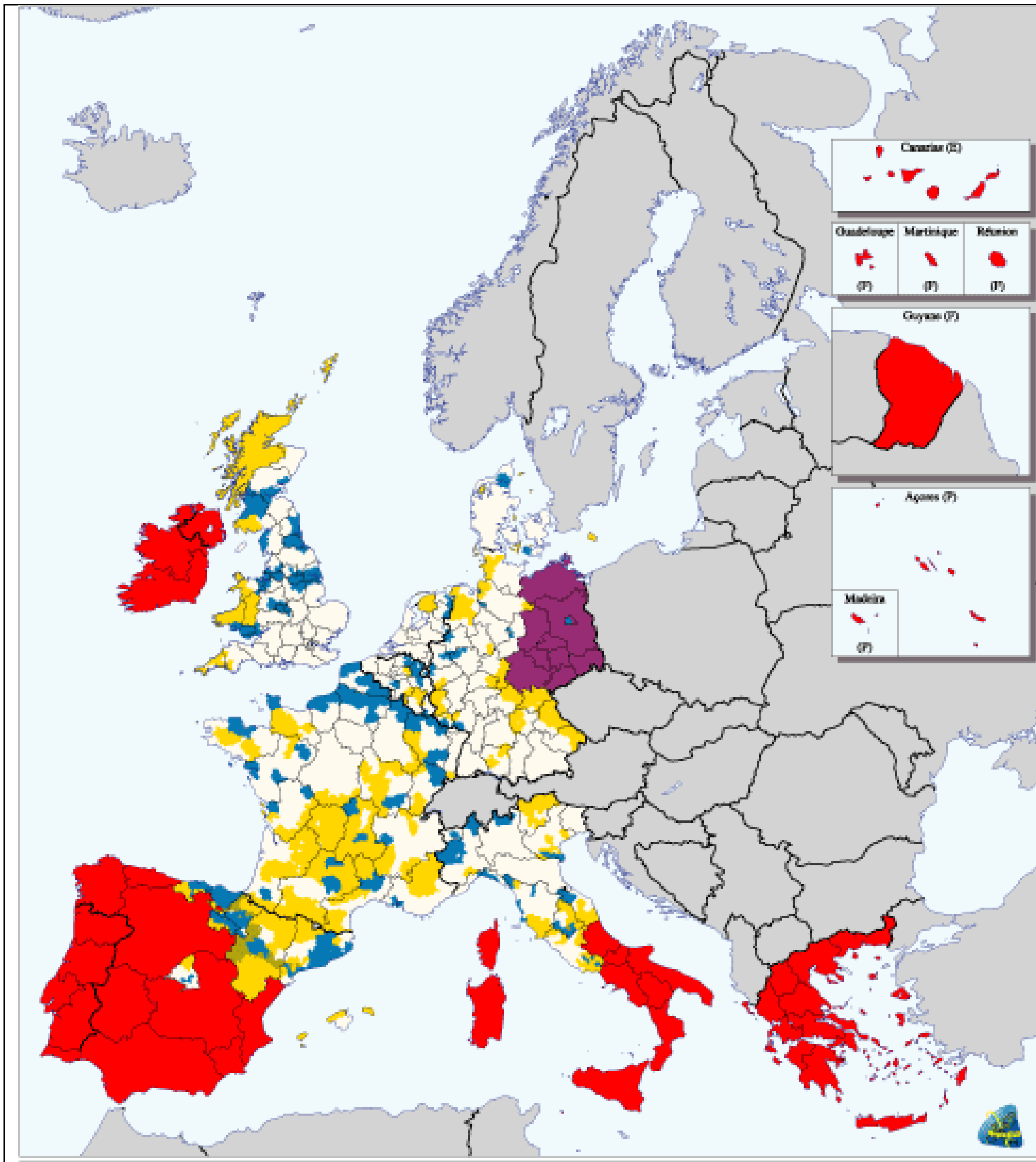
6. During the preparatory phase of the 2007-13 programming periods, SEAs were required for all OPs.
    a. How useful is the tool of SEAs?
    b. To what extent was it used to "revise" OPs proposed and priorities set?
    c. What other environmental safeguard measures are used during the implementation of the OPs?
    d. Should SEA be extended also to NSRFs?

7. The research results so far indicate that there is a gap between commitments made during the planning phase and actual implementation.

    a. To what extent is the main concern of managing authorities "absorption of funds" rather than meeting the NSRF (and regulations) objectives?
    b. What environmental safeguards are in place in order to avoid funding activities that may have harmful environmental consequences? How have these changed over time?
    c. Have projects been cancelled on grounds of environmental degradations?
    d. What environmental considerations are looked at in ex-post evaluations?
    e. How has this changed over time?

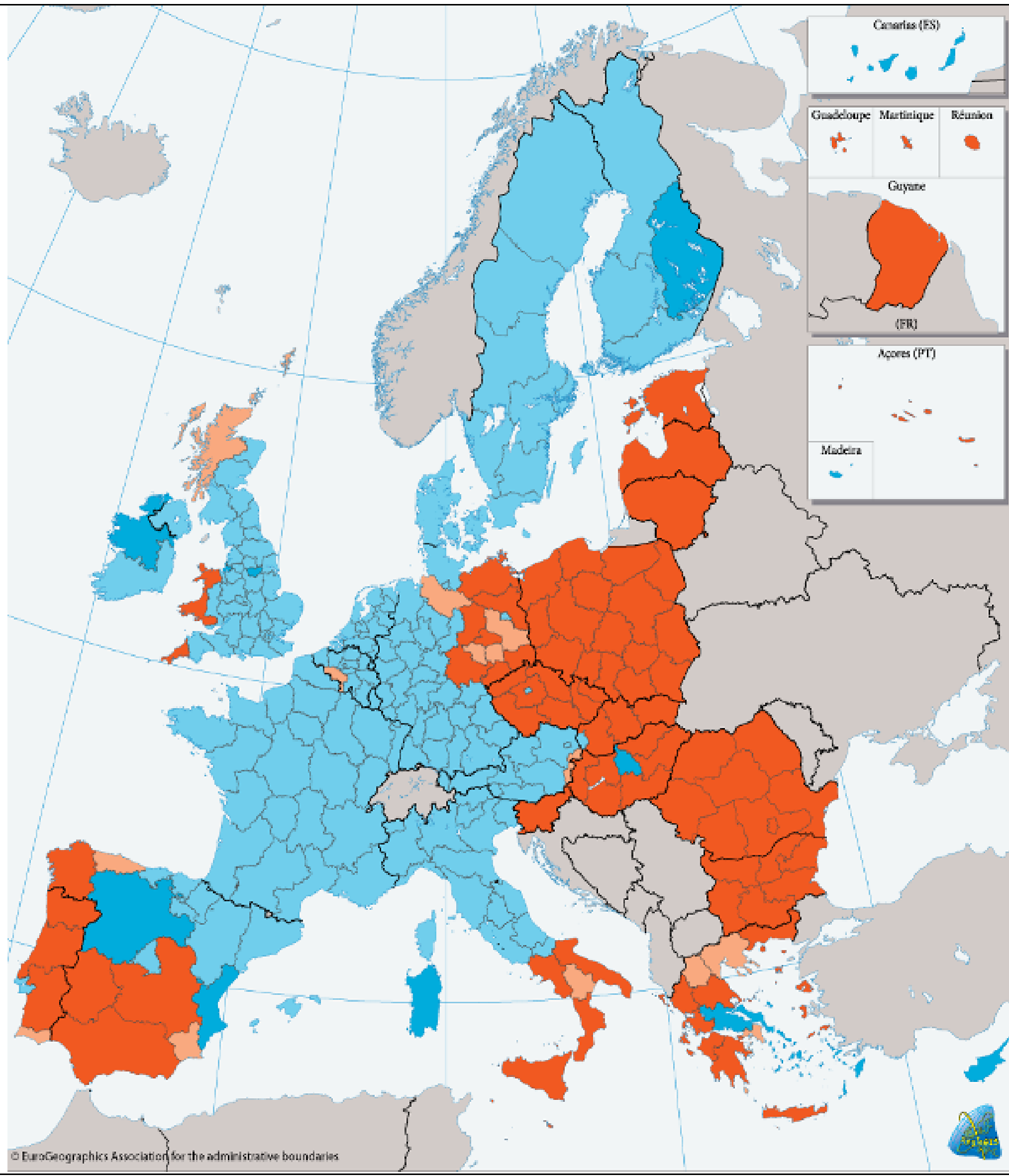
8. How would you describe the availability of the following resources at the national/regional level?
    a. Staff
    b. Resources
    c. Capacity
    d. Training in identifying environmental – sustainability issues.

<u>APPENDIX IV – MAPS</u>



Map 1. 1989-93 programming period: Structural funds – eligibility of regions (adjusted from European Commission (http://ec.europa.eu/regional_policy/index_en.cfm):

	Objective 1
	Objective 2
	Objective 5b
	Objective 2 & 5b
	Eastern German Lander



Map 2. 2007-13 programming period: Structural funds – eligibility of regions (adjusted from European Commission (http://ec.europa.eu/regional_policy/index_en.cfm):	
	Convergence Objective (former Objective 1)
	Phasing out objective
	Competitiveness & employment objective
	Phasing-in objective

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