

European structural, agricultural and environmental spending in Germany: The allocation and implementation of EU resources

Policy Paper

prepared at the request of
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Preface and acknowledgements

This policy paper is the result of an independent research project at the request of Dr. Franziska Brantner, MEP for the European Free Alliance/Greens. The report has been prepared by Dr. Lisa Dellmuth, Stockholm University. Additional research for sections of the paper was undertaken by Nikolaus Hollermeier (Diplom-Politologe).

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The views expressed in this report are those of the researchers alone.

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Executive Summary

The basic structure of resource distribution in the European Union (EU) is undergoing a major transformation. Over the past thirty years, authority and resources have gradually migrated from national governments to the supranational, regional and local levels. At the same time, the past three decades have witnessed an increasing demand for structural interventions at the EU level in the form of financial assistance to help economically lagging regions in the EU to catch up. The main aim of this report is to inform the public debate about the allocation and implementation of various EU spending programmes in the member states, with a particular focus on two German regions: Rhineland-Palatinate and Baden-Württemberg. It explores who benefits financially from EU spending programmes with a particular focus on the structural funds and examines the problems and challenges faced by subnational governments when implementing the EU structural funds.

Research questions

More specifically, this report addresses the following three research questions:

- How is EU structural, agricultural and environmental funding allocated across NUTS 3 regions in Baden-Württemberg and Rhineland-Palatinate?
- Are the EU structural funds allocated in ways that respond to social and economic need in Rhineland-Palatinate and Baden-Württemberg?
- Which problems and challenges are most salient in the debate on the implementation and allocation of EU funds in Rhineland-Palatinate and Baden-Württemberg?

Main findings

The first and the second research questions are addressed in Part II of this report. The main findings can be summarised as follows:

- Policy-makers at the local, regional, national and European level need high-quality EU expenditure data to assess whether public investment strategies have the intended and expected effects. The amount of EU structural, agricultural and fisheries expenditure received by municipalities and/or NUTS 3 regions should be made available in a single database. This would enable researchers to compare payment data across regions in the EU. Furthermore, this information should include data on the co-financing of the

final expenditure through local, regional and national budgets.

- The lists of final beneficiaries from EU structural expenditure published by the managing authorities in the member states should include the postal codes of the recipients and a more detailed description of the measures being funded by the EU structural funds. This would enable researchers to make more refined assessments of the measures being funded and the adequacy of these measures with a view of the EU's economic and social objectives. For this purpose, the requirements for the publication of the list of final beneficiaries from the structural funds, currently specified in European Commission regulation (EC) No 1828/2006, should be altered so as to include the requirement that postal codes shall be published.
- All of the above mentioned information should be made available online by Eurostat.
- A senior civil servant should be responsible for the collection and processing of the above mentioned data.
- To improve data availability, workshops at the level of the *Länder* governments should be organised in order to promote the collection of coherent expenditure data at the regional and local level.

The third research question is addressed in Part III of this report. The main findings can be summarised as follows:

- To identify the strengths and weaknesses of the structural funds' allocation process within Rhineland-Palatinate and Baden-Württemberg, 20 interviews with local, regional and EU level actors have been conducted. Among the interviewed practitioners are EU experts in local administration, top-level officials in regional chambers of commerce, as well as top-level officials in regional administrations and in the European Commission that were involved in the process of structural funds implementation. The interviewees have highlighted two aspects as being crucial in the debate on the implementation of the EU structural funds: (1) The implementation of the 'partnership principle'; (2) The allocation of microcredits to support microbusinesses and NGOs, especially in urban areas.
- (1) EU secondary legislation specifies that European, national and subnational authorities and bodies should closely cooperate in the

process of allocating and implementing the EU structural funds ('partnership principle'). A close cooperation in the process of drawing up the regional development programmes (Operational Programmes) is likely to increase their commitment to subsequently implementing the structural funds effectively. However, our analyses clearly show that the distribution of the structural funds in the *Länder* is a top-down process. That is, the *Länder* governments involve the relevant 'partners' from the private and public sphere insufficiently in the EU funds implementation process. To increase the transparency and visibility of EU structural expenditure and thereby the legitimacy of public actions, the *Länder* governments should involve potential public and private beneficiaries in the drawing up of the Operational Programmes more systematically. Furthermore, potential beneficiaries should be involved earlier in this process in order to enable the *Länder* governments to assess local economic and social need more effectively. The European Commission should support these efforts more effectively.

- (2) Since the abolishment of the URBAN community initiative, *Länder* governments need to focus more on social inclusion and on the development of deprived urban areas. Specifically, it should be ensured that former beneficiaries of URBAN funds receive continuous funding in order to effectively promote capacity-building in urban areas. Furthermore the creation of sustainable policy networks spanning the public-private sector divide, such as the *Stadtentwicklungsfonds* funded through JESSICA in Rhineland-Palatinate, should be promoted more effectively.

Part I: Introduction

The basic structure of resource distribution in the European Union (EU) is undergoing a major transformation. Over the past thirty years, authority and resources have gradually migrated from national governments to the supranational, regional and local levels. At the same time, the past three decades have witnessed an increasing demand for structural interventions at the EU level in the form of financial assistance to help economically lagging regions in the EU to catch up. The gradual realisation of the common market has exacerbated economic and social disparities between regions throughout the territory of the EU, which has triggered frustration with European economic integration. In the view of many scholars (e.g. Begg, 2003, 2009; Boldrin and Canova, 2001; Gordon, 1991) and policy-makers (e.g. Barca, 2009;

Delors, 1989; Padoa-Schioppa et al., 1987), the liberalisation of the EU's internal market favours member states at the core of the Union, such as Germany and the UK, at the expense of member states at the periphery, such as Portugal and Spain. Hence politicians have sought to redistribute more and more resources through EU budgetary measures. The principal means by which the EU seeks to support and promote greater economic and social convergence between European regions is EU regional policy. Starting in 1988, this policy consists of a series of inter-related funds, known as the structural funds, which co-finance domestic structural interventions.

The resources allocated to the EU structural funds have been steadily increased since the beginning of the 1990s in order to effectively counteract the enormous diversity of regional restructuring problems that has been caused by European integration. Introduced in 1975 with very modest resources, the structural funds have grown into the largest EU budget component since 2007. During the past decade, the EU has allocated more than 500 billion Euro to EU regions through the structural funds (European Commission, 2001, 2007). The European structural funds co-finance regional and national expenditure for a wide range of structural actions, such as developing transport and communications infrastructure, supporting innovation, enterprise and business development, protecting and enhancing the environment, delivering active labour market policies and improving workers' skills.

The main aims of EU regional policy are to promote economic and social convergence in the EU and to create new wealth in regions that are economically lagging or that suffer from structural deficiencies. There is evidence that the EU's structural actions were partly effective with regard to their aim to promote economic convergence (Fagerberg and Verspagen, 1996; Beugelsdijk and Eijffinger, 2005; Mohl and Hagen, 2009). At the same time, the EU structural funds budget, like national budgets, has been increasingly subjected to austerity during the past decade. Against this background, the aims of regional policy have significantly changed. Most importantly, following the Brussels European Council in 2005, a central aim of structural funding became the promotion of European growth, innovation, competitiveness and employment (cf. European Council, 2005; *Lisbon Agenda* from 2000). Hence, a burgeoning debate is dedicated to the extent to which the improvement of the situation of disadvantaged groups in society, such as migrants and women, as well as the support of areas with specific structural problems, such as urban areas, are still on the agenda of EU regional policy (cf. Barca, 2009; Santos, 2009).

The aim of this study is (1) to explore who benefits financially from EU spending programmes with a

particular focus on the structural funds and (2) to examine the problems and challenges faced by subnational governments when implementing the EU structural funds.

The remainder of this study is structured as follows. Part II focuses on the distribution of EU expenditure to NUTS 3 districts during the ongoing financial perspective 2007-2013.¹ It addresses the following research questions: How is EU structural, agricultural and environmental funding allocated across NUTS 3 regions in Baden-Württemberg and Rhineland-Palatinate? Are the EU structural funds allocated in ways that respond to social and economic need in Rhineland-Palatinate and Baden-Württemberg? Accordingly, we shed light on spending patterns in two German states (*Länder*), Rhineland-Palatinate and Baden-Württemberg and analyse EU spending in the most and least deprived areas within these two states. The data show that relatively wealthy NUTS 3 regions benefit most from the structural funds.

Part III focuses on the implementation of the EU structural funds by German state governments (*Landesregierungen*) in Rhineland-Palatinate and Baden-Württemberg. Which problems and challenges are most salient in the debate on the implementation and allocation of EU funds in Rhineland-Palatinate and Baden-Württemberg? To address this research question, part III describes the policy processes for funding and monitoring of EU structural spending. Moreover, we review the most salient problems in the implementation process as highlighted in 20 interviews that we conducted with local and state actors involved in EU structural funds implementation. Our analysis reveals that the development of investment plans to spend the structural funds in German states is a top-down process, whereby not all concerned potential public and private beneficiaries are systematically consulted. Further, procedures to apply for funding are perceived to be relatively intransparent. As they require a considerable bureaucratic and financial effort on the side of the applicants, they largely favour the resource-rich potential recipients in states. Finally, social projects in urban agglomerations have been neglected due to a shift in the funding strategy since the beginning of the ongoing financial perspective 2007-2013.

¹ The classification of regions at the level of NUTS (Nomenclature of territorial units for statistics) is made on the basis of population figures. We use the classification according to Council Regulation No 1059/2003: NUTS 1 regions have 3-7 million, NUTS 2 regions 800.000-3 million, and NUTS 3 regions have 150.000-800.000 inhabitants.

Part II: The distribution of EU structural, agricultural and environmental funds in two German states: Rhineland-Palatinate and Baden-Württemberg

Who benefits financially from EU spending programmes? In this section, we analyse the distribution of EU structural, agricultural and environmental funding in two German states: Rhineland-Palatinate and Baden-Württemberg. We analyse the extent to which the EU structural funds are allocated in ways that further the EU's economic and social objectives in these two regions.² The funding analysed in part II of this study comprises funding from 2007 to 2013 in the areas of:

- Structural assistance: Regional policy, financed through the European Regional Development Fund (ERDF) and the European Social Fund (ESF);
- Natural resources: Common Agricultural Policy (CAP), Common Fisheries Policy (CFP) and Community environment policy, financed through the European Agricultural Guarantee Fund (EAGF), European Agricultural Fund for Rural Development (EAFRD), Financial Instrument for Fisheries Guidance (FIFG) and LIFE+.

Before proceeding with the analysis of the funds' distribution across NUTS 3 regions, the next section takes a step "back" in the decision-making process, analysing how much German regions receive from the EU structural funds.

² In doing so, we focus on EU expenditure in the areas of structural, agricultural and environmental policy that benefits the regions in which it is invested. In case the benefits of a funding programme for different regions cannot be disentangled, as it is the case with cross-border programmes, that funding programme is excluded from the analysis. See, for a similar methodological approach, Nuffield College and Office of the Deputy Prime Minister (2003). Note that we analyse the allocation of EU structural funds in Rhineland-Palatinate and Baden-Württemberg by using commitment data and not payment data. The rationale behind this is that actual payments can only be accurately assessed when all programmes are closed and all payments made, which usually takes several years after a programming period has ended. Thus, commitment data is more suitable for establishing a comparable database. See, for a similar methodological approach, SWECO International AB (2008).

1. The allocation of EU structural funds (ERDF and ESF)

The most powerful instrument of the EU to achieve the treaty objective of economic and social cohesion are the EU structural funds which part-finance thousands of public investment projects every year in such sectors as telecommunications, energy, environment, health and transport. Cohesion is an essential goal of the EU. Art. 158 of the Treaty establishing the European Communities stipulates:

[I]n 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 levels of development of the various regions and the backwardness of the least favoured region or islands, including rural areas.

The financial resources intended to promote this treaty objective are allocated through the structural funds, that is the ERDF and the ESF, in the form of grants or loans. The funds are made available to national and regional authorities in the context of agreed development programmes ('Operational Programmes') in order to provide assistance to the three main production factors: economic infrastructure, aid to the private sector and human capital.

1.1 Regional gross and net benefits from EU structural funds in Germany and the EU

We identify the flow of EU expenditure into the German *Länder* by using the indicative allocations to regions for the financial perspective 2007-2013. For the funding period 2007-2013, the EU has earmarked 35.7% of its total budget to be divided between different funding objectives in regional policy. German states receive funding under the Convergence and the Regional Competitiveness and Employment (RCE) objective.³

³ In addition, the "new" *Länder* receive funding under the European Territorial Cooperation objective, which is not analysed here due to its cross-border nature (see footnote 2). The European Territorial Cooperation objective aims to strengthen cross-border co-operation through joint local and regional initiatives, trans-national co-operation aiming at integrated territorial development, and interregional co-operation and exchange of experience (cf. http://ec.europa.eu/regional_policy/policy/object/index_en.htm).

- The Convergence objective aims to promote growth-enhancing conditions and factors helping the least-developed member states and regions catch up. In EU-27, this objective concerns – within 18 member states – 84 regions with a total population of 154 million and a per capita GDP at less than 75 % of the Community average and – on a 'phasing-out' basis – another 16 regions with a total of 16.4 million inhabitants and a GDP only slightly above the threshold, due to the statistical effect of the larger EU. The amount available under the Convergence objective is 282.8 billion Euro, representing 81.5 % of the total Convergence budget. It is split as follows: 199.3 billion Euro for the Convergence regions, while 14 billion Euro are reserved for the 'phasing-out' regions and 69.5 billion Euro for the Cohesion Fund, the latter applying to 15 member states.
- Outside the Convergence regions, the RCE objective aims to strengthen competitiveness and boost employment through structural actions focusing on innovation and skills. In the EU-27, a total of 168 regions will be eligible, representing 314 million inhabitants. Within these regions, 13 regions are 'phasing-in' areas that are subject to special financial allocations due to their former status as 'Objective 1' regions. The amount of 55 billion Euro, of which 11.4 billion Euro are apportioned among 'phasing-in' regions, represents roughly 16% of the total structural funds budget.⁴

East German *Länder* receive funds under the Convergence objective, whereas West German *Länder* governments receive funds under the RCE objective. For the funding period 2007-2013, the total sum of structural funding obtained by German *Länder* amounts to about 20 billion Euro, whereas the total amount of structural funding received by Germany amounts to more than 25 billion Euro. That is, the *Länder* manage more than 80% of the EU structural assistance available to Germany from 2007 to 2013 (Federal Ministry of Economics and Technology, 2008).

Figure 1 locates the German *Länder* within the pattern of structural funding in the EU-15 during the period 2007-2013, compared to the period 2000-2006. Specifically, figure 1 depicts the relationship between the indicative allocation of structural funds per capita across regions in the EU-15 and their economic

⁴ Council regulation (EC) No 1083/2006 of 11 July 2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No 1260/1999.

performance, measured in terms of GDP per capita in purchasing power standards (PPS) as a percentage of the EU-27 average. It is shown that poorer regions receive higher amounts of structural funds. Figure 1 also shows a regression line describing the amount of funding regions would receive if their relative wealth in terms of GDP per capita were the main determinant of the size of transfers received by regions. According to this view, the regions that are above the line received too much funding, whereas the states below the line received too little. Interestingly, the results indicate that regional economic performance was a stronger indicator of the size of transfers received by regions from 2000 to 2006 than during the period 2007-2013. Figure 1 shows a stronger negative relationship between regional economic performance and the allocation of structural funds from 2000 to 2006 than from 2007 to 2013.

Among the German states, the East German *Länder* receive by far the greatest amount of funding. However, East German *Länder* receive less per capita funds for the period 2007-2013 than they received for 2000-2006. For example, Saxony-Anhalt had a GDP per capita of 90% of the EU-15 average in 1999 and received 1266.3 Euro per inhabitant from the structural funds. In 2006, it had a GDP per capita of 91.3% of the EU-15 average and received 728.7 Euro per inhabitant from the structural funds. Baden-Württemberg with a GDP of 155.5% of the EU average in 1999 and 130.5% of the EU average in

2006 is on the regression line and therefore receives the amount of funding we would expect on the basis of its economic performance. By contrast, Rhineland-Palatinate has a GDP of 124.1% of the EU average in 1999 and a GDP of 110% of the EU average in 2006 and lies below the regression line. This indicates that it receives less funding than its relative economic wealth in terms of GDP would lead one to expect.

Yet, it is important to note that regions also incur indirect costs because the country in which they are located contributes to the EU budget. For example, Germany is a net contributor to the EU. Although German *Länder* do not contribute directly to the EU budget, they have net balances as well. The following paragraph discusses the regions' net benefits from the EU structural funds budget in order to analyse the extent to which redistribution through the structural funds takes place (see Annex I for a description of the methodology).

Figure 2 shows the connection between the regional net benefits per capita from the structural funds and their relative economic performance. Again, the regression line indicates the negative relationship between the regions' net benefits and their relative economic performance. This is in line with previous research showing that the structural funds are redistributive, i.e. poorer countries indeed receive more transfers (Mattila, 2006).

Figure 1: Indicative per capita allocation of EU structural funds in the EU-15, 2000-2013

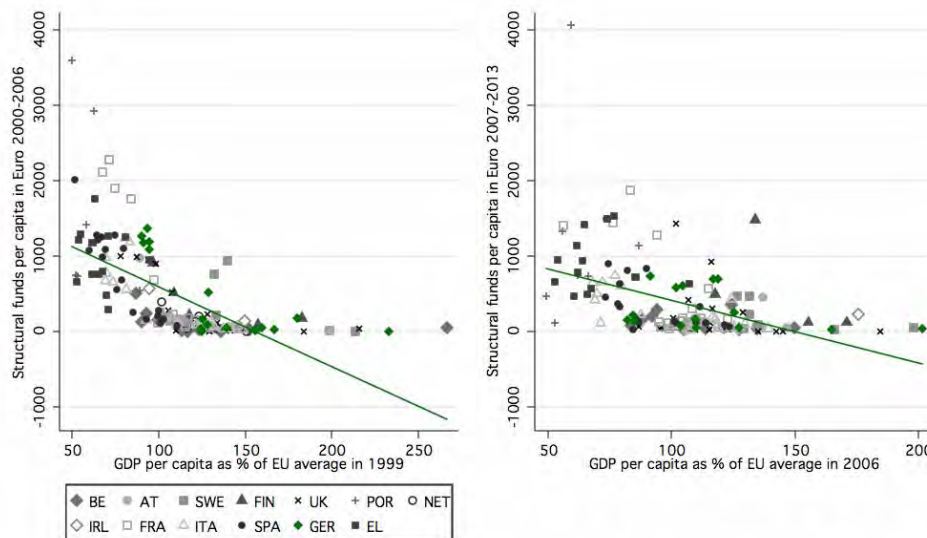
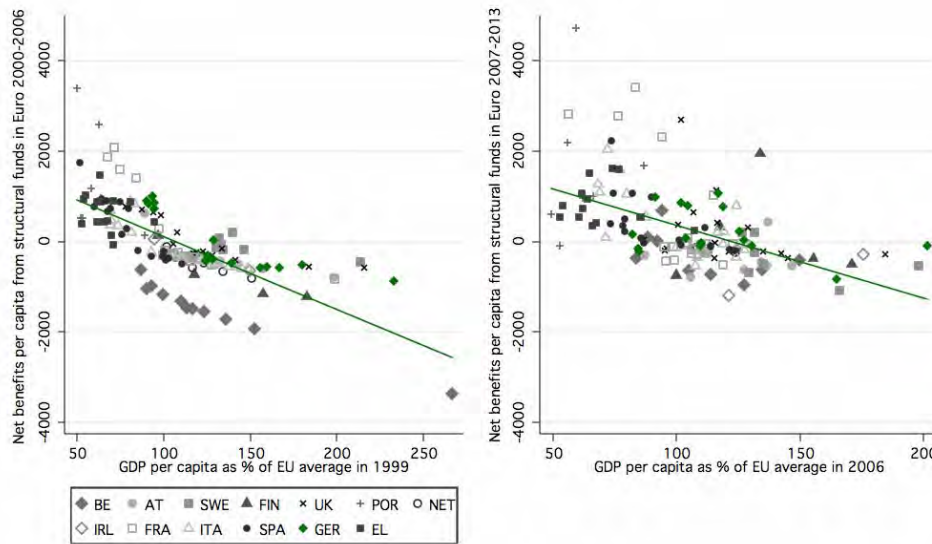


Figure 2: Net benefits per capita from the structural funds in the EU-15, 2000-2013



The regions above the regression line are net beneficiaries of the EU structural funds, whereas the regions below the regression line are net contributors. Baden-Württemberg and Rhineland-Palatinate are located close to the line. This indicates that they receive almost as much financial transfers through the structural funds as they contribute to the EU structural funds. Critics allege that if regions pay as much into the EU structural funds budget as they receive, it is questionable if they can have an impact on economic growth (cf. Santos, 2008). Yet, it is important to note that EU regional policy has not only the objective to contribute to economic growth, but also the potential to trigger innovative ideas on the ground that help capacity-building in structurally disadvantaged areas. Hence, to receive EU funds, cities and communities develop innovative and creative projects that are relevant to EU objectives and that otherwise would often have not been developed (Interviews No 5, 8, 13, 17).⁵

Before proceeding with the analysis of the distribution of EU structural funds in Rhineland-Palatinate and Baden-Württemberg, the following paragraphs compare the amount of structural assistance received by these two states to the amount of structural

assistance received by all other regions in the EU-15.⁶ Table 1 provides an overview of the *Länder* net benefits from the structural funds from 2007 to 2013, based on the indicative allocations for the current funding period. The table includes transfers into the German *Länder* through the Operational Programmes under the objectives Convergence and RCE. The table shows that all *Länder* from the former German Democratic Republic (GDR) are net beneficiaries, whereas all West German *Länder* are net contributors to the EU structural funds budget. Columns 2 and 3 display the actual amount of funding received from 2007 to 2013 within the scope of regional Operational Programmes. Columns 4 and 5 show the net balances. States with negative numbers in the third and fourth column are net contributors to the EU budget, while states with positive numbers are net recipients. Two examples may help interpret the results. While Baden-Württemberg has received almost 100 million Euro more EU structural funding than Rhineland-Palatinate overall, Baden-Württemberg received about 40 Euro per capita less than Rhineland-Palatinate. Furthermore, column 4 shows that Baden-Württemberg has contributed considerably more to

⁵ Detailed information about the interviews that were conducted for the purpose of this study is given at the beginning of part III.

⁶ Data on the allocation of structural funds among regions at the level of NUTS 1 and 2, i.e. indicative allocations, are derived from the European Commission decisions on Operational Programmes. Funds are distributed by region, except for sectoral spending (such as Objective 3 during 2000-2006) and national thematic spending (such as the German infrastructure programme under Objective 1 during 2000-2006).

the EU structural funds budget from 2007-2013 than it has received. Likewise, Baden-Württemberg has contributed almost 35 Euro per capita more to the overall structural funds budget than Rhineland-Palatinate.

These data exclude the additional structural assistance received by the German *Länder* through the two thematic Operational Programmes managed at the federal level. The East German *Länder* receive an additional 1.5 billion Euro through the federal Operational Programme for Transport financed through the ERDF. Furthermore, all German *Länder* benefit from the federal ESF Operational Programme with a total investment volume of more than 3.4 billion Euro. More specifically, Rhineland-Palatinate did not receive any funding through the federal ESF programme, while 13 measures were funded in Baden-Württemberg. The federal ERDF programme funded 47 measures in Rhineland-Palatinate and 85 in Baden-Württemberg. The next sections analyse the benefits of the German *Länder* from the EU structural funds through *both* regional and federal programmes in greater detail using data from Baden-Württemberg and Rhineland-Palatinate.

1.2 Allocation of EU structural funds across NUTS 3 regions in Baden-Württemberg and Rhineland-Palatinate

To assess to what extent the EU structural funds are responsive to economic and social need, we have to compare the amount of EU expenditure invested in municipalities and/or NUTS 3 regions through the Operational Programmes. Hence, this section analyses the intra-regional allocation of structural funds in Rhineland-Palatinate and Baden-Württemberg by using commitment data from 2007 and 2008 through both regional and federal Operational Programmes (see Annex II for an overview of the expenditure in all NUTS 3 regions in Rhineland-Palatinate and Baden-Württemberg).⁷

⁷ We use commitment data because actual spending can only be accurately assessed when all payments are made, which usually takes several years after a programming period has ended. Financial information on the corresponding matching grants allocated through national, regional and local budgets, is not available (cf. SWECO, 2008). Further, the commitment data we use do neither contain information about the provision of microcredit guarantees through financial instruments managed by the European Investment Fund (cf. Decision No 1639/2006/EC of the European Parliament and of the Council of 24 October 2006 establishing a Competitiveness and Innovation Framework Programme (2007 to 2013), nor information about the European Progress Microfinance Facility (cf. Decision No 283/2010/EU of the European Parliament and of the

The annual reports of the monitoring committees at the state level provide lists with expenditure data at the NUTS 3 level (cf. Annex II of Commission Regulation No 1828/2006).⁸ Yet, they provide very crude information about the measures targeted by the structural funds, i.e. the data about the targeted measures are grouped into very broad categories, which impedes a detailed analysis of spending patterns. Hence, this study provides more refined expenditure data that are aggregated at the NUTS 3 level. As NUTS 3 level data are not readily available, the data have to be compiled from the lists of final beneficiaries provided by the regional and national authorities managing the Operational Programmes. For this purpose, we used the lists of final beneficiaries of the ERDF and the ESF that are available on the websites of the managing authorities for the different funds. Two problems with the lists of final beneficiaries could be identified that lead to a significant reduction in data quality:

- 10.8 % of the ESF and ERDF expenditure could not be attributed to NUTS 3 regions for the following reasons. First, the list of final beneficiaries does not include the postal codes of the recipients. This leads to a situation where micro-enterprises that do not have a website can be easily confounded and cannot be located in a NUTS 3 region with absolute certainty. Further, the BGB companies (*Gesellschaften bürgerlichen Rechts*) created for the purpose of buying real estate are typically listed along with the first name and the surname of the responsible person, but do not name the enterprise that benefits from the EU funds. Finally, individuals, such as owners or shareholders, are listed but not the name of the enterprise that benefits from the EU funds.⁹

Council of 25 March 2010 establishing a European Progress Microfinance Facility for employment and social inclusion).

⁸ Commission Regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund

⁹ By contrast, we did not face any problems in aggregating the agricultural expenditure analysed in the next section, as agricultural expenditure data are sorted by the postal codes of the recipients. Hence, the quality of ERDF and ESF data could be improved upon if authorities would report EAGF and EAFRD spending with postal codes or at the NUTS 3 level.

Table 1: German states' gross and net benefits from structural funds, 2007-2013

Region	Gross benefits, million Euro ^a	Gross benefits per capita, Euro ^b	Net benefits, million Euro ^b	Net benefits per capita, Euro ^b
Baden-Württemberg	409.4	38.2	-1251.3	-116.8
Bavaria	886.0	71.2	-290.9	-23.4
Berlin	1211.6	357.6	-413.7	-122.1
Brandenburg	2119.0	825.2	1654.9	644.5
Bremen	231.1	348.4	-276.3	-416.5
Hamburg	126.4	72.9	-1550.5	-893.8
Hessen	450.2	73.8	-939.6	-154.1
Mecklenburg-Vorpommern	1669.9	971.1	1014.3	589.8
Lower Saxony	1437.8	179.7	446.7	55.9
North Rhine-Westphalia	1967.4	108.8	-44.4	-2.5
Rhineland-Palatinate	331.4	81.6	-333.7	-82.2
Saarland	255.8	242.1	-316.4	-299.5
Saxony	3963.0	922.4	3375.5	785.7
Saxony-Anhalt	2575.7	1032.6	1601.2	641.9
Schleswig-Holstein	473.9	167.5	-923.0	-326.3
Thuringia	2106.7	894.5	1184.5	502.9

^a Source: National Strategic Reference Plan for Germany 2007-2013. The figures in columns two and three are commitment data. These data exclude the additional structural assistance received by the German *Länder* through the two thematic Operational Programmes (EFRE and ESF) managed at the federal level.

^b Source: Own calculations on the basis of figure from National Strategic Reference Plan for Germany 2007-2013 and Eurostat (2005).

- Most of the measures that are co-financed by the ESF or the ERDF are grouped into funding categories such as 'purchase of real estate', 'expansion of business premises' and 'purchase of machine tools' without any further specification. This reduces the transparency of the allocation of EU structural funds within these two *Länder* significantly, since the exact measures that are being funded cannot be identified.

A summary of these problems is given in table 2. Table 2 provides an overview of the total number of projects co-financed through the ESF and the ERDF in both *Länder* under study, lists the number of projects that could not be located in a NUTS 3 region with certainty and informs about the funding priorities identified on the basis of the lists of final beneficiaries.

Table 3 displays the amount of ERDF and ESF funding distributed to the final beneficiaries in 2007 and 2008 in terms of the committed funds. Since the Operational Programme for Rhineland-Palatinate was approved only in August 2007, no ERDF and ESF payments had been committed or paid in 2007.¹⁰

Accordingly, figures 3 and 4 compare the allocation of ERDF and ESF commitments in 2008. As figures 3 and 4 show, ERDF and ESF resources are spread "thinly" across NUTS 3 regions. This allocation pattern may be explained by the fact that "[p]riorities within Structural Fund programmes are sufficiently broad and flexible to satisfy diverse appetites during implementation" (De Rynck and McAleavey, 2001: 546).

Furthermore, both figures show that the relatively wealthy and resource-rich areas within the German *Länder* benefit most from the EU structural funds. Among the major recipients in Rhineland-Palatinate is Kaiserslautern, whereas in Baden-Württemberg, the Stuttgart region outperforms the rest of the regions on NUTS 3 level. This may be explained in the words of De Rynck and McAleavey (2001: 546):

With respect to disaggregation of the stakes (...) unorganized actors in the region will often be unable to come on to the policy scene. Low-income groups, which tend to be less integrated socially, will face the considerable barrier of organizing collective action first, before being able to gain access to partnerships and become beneficiaries. Also, once the budgetary envelope is fixed, the highest political level exerts ample pressure to spend (on time) what has been agreed. Such pressure

¹⁰ Reference document: 2007DE162PO011, European Commission decision No C(2007)3877 of 07/08/2007.

Table 2: Quality of published data on the final beneficiaries of ESF and ERDF^a

	ESF	ERDF
<i>Baden-Württemberg 2007</i>		
Total number of beneficiaries (percent)	1209 (100 %)	23 (100 %)
- of which could not be located in NUTS 3 regions (percent)	111 (9.18 %)	23 (100 %)
Funding priority	All measures were entitled 'Förderprogramm für zusätzliche Ausbildungsplätze' (funding programme for additional training positions), without further specification	'Grundstückserwerb' (Purchase of real estate), 'Kauf von Werkzeugmaschinen' (purchase of machine tools), 'Errichtung von Produktions- und Lagerhallen, Büro- und Sozialräumen bei gleichzeitiger Erweiterung des bestehenden Betriebes' (Expansion of business premises through the construction of production halls and warehouses, office space and social rooms)
<i>Baden-Württemberg 2008</i>		
Total number of beneficiaries (percent)	706 (100 %)	524 (100 %)
- of which could not be located in NUTS 3 regions (percent)	57 (8.07 %)	77 (14.69 %)
Funding priority	'Jugendberufshilfe' (vocational youth assistance), 'Berufsbildung' (Professional activities training), coaching	'Grundstückserwerb am vorhandenen Betriebsstandort oder Grundstückserwerb zur Erweiterung der Produktionsanlage' (Purchase of real estate on the ground of the business location or with the aim to expand business premises), 'Errichtung von Produktions- und Lagerhallen, auch mit Büro- und Sozialräumen' (Construction of production halls and warehouses, office space and social rooms), 'Kauf von Maschinen, vorzugsweise CNC Maschinen' (Purchase of machines, especially CNC machines ¹¹)
<i>Rheinland-Pfalz 2007</i>		
	<i>No funding</i>	<i>No funding</i>
<i>Rheinland-Pfalz 2008</i>		
Total number of beneficiaries (percent)	<i>No funding</i>	72 (100 %)
- of which could not be located in NUTS 3 regions (percent)		3 (4.17 %)
Funding priority		About 80 percent of the measures were entitled: 'Erweiterung einer Betriebsstätte' (expansion of business premises)

^a Source: Lists of final beneficiaries provided on the webpages of the ESF and ERDF managing authorities in Rhineland-Palatinate and Baden-Württemberg.

¹¹ CNC machines refers to the automation of machine tools that are operated by abstractly programmed commands encoded on a storage medium, as opposed to manually controlled via levers.

Table 3: Structural funding in Baden-Württemberg and Rhineland-Palatinate, 2007-2008^a

Fund	Year	Rhineland-Palatinate		Baden-Württemberg	
		Euro	Per capita in Euro	Euro	Per capita in Euro
ERDF	2007	0.0	0.0	2808480.0	0.3
ESF	2007	0.0	0.0	10649152.2	1.0
ERDF	2008	35215709.0	8.7	41161345.0	3.9
ESF	2008	1746718.0	0.4	124232050.0	11.6
Total ERDF and ESF	2007-2008	36962427.0	9.1	178851027.2	16.7

^aThe figures in the table are commitment data.

gives a natural advantage to the strongly organized groups within the regions, which tend to be better informed and linked to the relevant networks – typically those elites whom policy-makers needed to reconcile with the idea of creating a Single Market and lifting national protective mechanisms.

To assess the extent to which the structural funds target the economically lagging areas within the *Länder*, table 4 shows the distribution of structural funds in the ten most deprived and the ten least deprived areas in Baden-Württemberg and Rhineland-Palatinate in terms of GDP. As depicted in figures 3 and 4, table 4 clearly reveals that the structural funds target mainly the least deprived NUTS 3 regions in both *Länder*. In Rhineland-Palatinate, the 10 most deprived areas display a GDP in PPS from 51.3% to 76.9% of the EU-27 average and receive almost 20% of EU structural expenditure in the *Land*. By contrast, the 10 least deprived areas display a GDP from 109.8% to 237.5% of the EU average and receive about 35% of EU structural expenditure.

This discrepancy is even more pronounced in Baden-Württemberg, where the 10 most deprived areas have a GDP from 86.3% to 105% of the EU average and receive almost 15% of EU structural expenditure, whereas the 10 least deprived areas display a GDP from 141.3% to 239.9% of the EU average and receive almost 50% of EU structural expenditure allocated to Baden-Württemberg. In sum, these results indicate that instead of helping economically lagging areas in the recipient German regions catch up, the structural funds benefit the richer areas within the recipient regions.

2. The allocation of EU agricultural funds (EAGF and EAFRD)

Agriculture is one of the economic sectors where the process of European integration has advanced furthest. The Common Agricultural Policy (CAP) is not only one of the oldest common policy of the

present-day European Union (EU) but also the most controversial. The ‘Rome Treaty’ of March 1957 establishing the European Economic Community (EEC) set five explicit goals for the CAP: to increase productivity, to ensure a fair standard of living to farmers, to stabilise markets, to ensure the availability of supplies and to guarantee reasonable prices for consumers. Since the 1960s, the CAP is organised around the core principles of market unity, Community preference and financial solidarity. Agricultural prices are linked to farm incomes and reviewed annually. The subsequent creation of the European Agricultural Guidance and Guarantee Fund (EAGGF) provided the financial basis for the CAP. Since 2007, the main tasks of the CAP are twofold. First, it is designed to support agricultural prices in the EU through the European Agricultural Guarantee Fund (EAGF), with price levels generally above world market prices. Second, the European Agricultural Fund for Rural Development (EAFRD) financially supports rural development and the improvement of agricultural structures.

This section examines the patterns of EAGF and EAFRD allocation across NUTS 3 regions in Rhineland-Palatinate and Baden-Württemberg (see Annex III for an overview of the expenditure in all NUTS 3 regions in these two *Länder*). With regard to the data collection, it was possible to aggregate the funds received by individual beneficiaries to the NUTS 3 level. A direct comparison of the per capita funding through the EAGF and the EAFRD revealed that the two *Länder* receive funding mainly through the first pillar of the CAP, which includes direct payments to individual farmers or agricultural businesses as well as price support financed through the EAGF. This information, sorted by post codes, was provided by the Federal Agency for Agriculture and Food (*Bundesanstalt für Landwirtschaft und Ernährung*), so that it was possible to attribute the funds received by individuals or firms to NUTS 3 regions.

Figure 3: Allocation of ERDF funding per capita in NUTS 3 regions, 2008

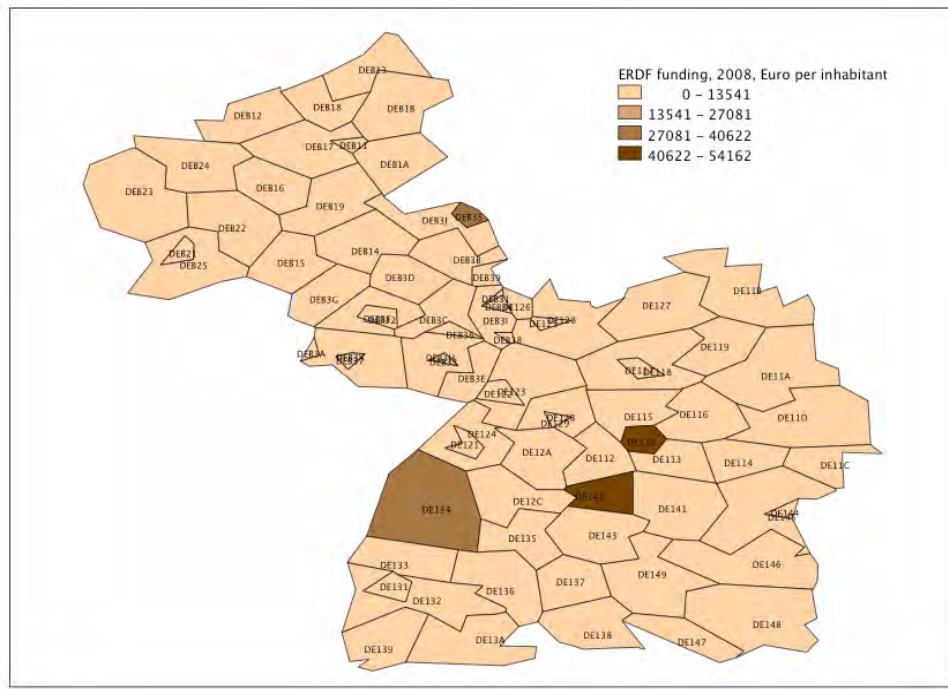


Figure 4: Allocation of ESF funding per capita in NUTS 3 regions, 2008

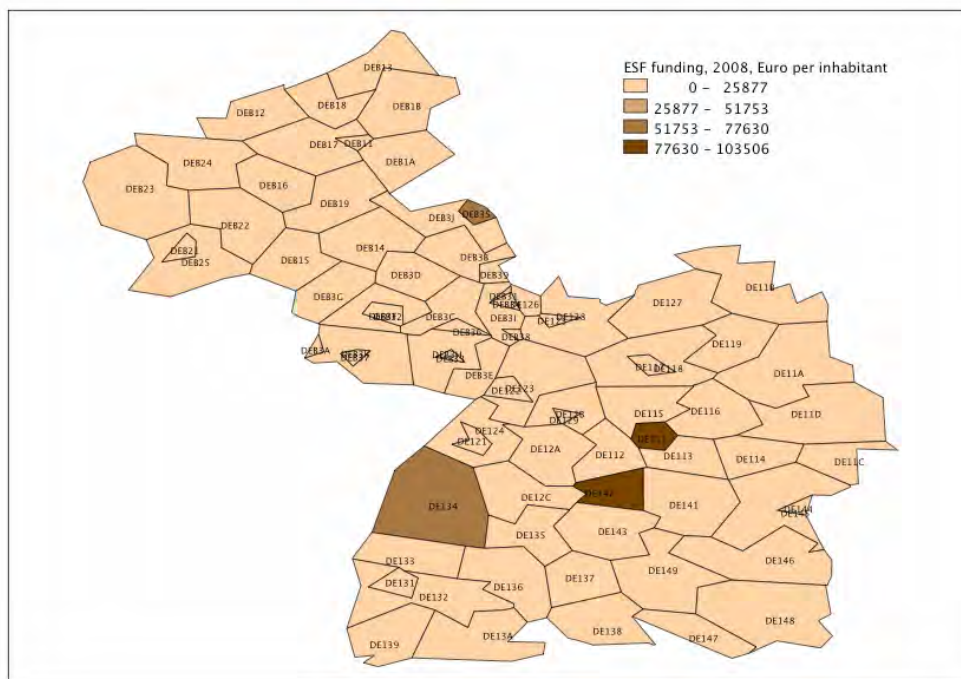


Table 4: Structural funding per capita in the most and least deprived NUTS 3 regions, 2008^a

Rhineland-Palatinate			Baden-Württemberg		
	Euro	%		Euro	%
10 most deprived NUTS 3 regions	58555.6	19.5	10 most deprived NUTS 3 regions	96036.4	14.9
10 least deprived NUTS 3 regions	105961.0	35.4	10 least deprived NUTS 3 regions	315302.0	48.7
All NUTS 3 regions	299747.5	100.0	All NUTS 3 regions	647215.6	100.0

^aSource: Own calculations (on the basis of the data provided in Annex II) and Eurostat (2005).

Figures 5 and 6 depict the allocation patterns across NUTS 3 regions on the basis of per capita EAGF and EAFRD funding. Unsurprisingly, figure 6 shows that the urban centres in the two regions benefit least from EAGF spending, whereas the rural area of Bitburg-Prüm (DEB23) in Rhineland-Palatinate benefits most. Similarly, figure 6 shows that EAFRD funding targets mostly the rural areas such as Hohenlohekreis (DE119) or Waldshut (DE13A) in Baden-Württemberg.

3. The allocation of EU environmental funds (LIFE+)

The LIFE programme is the EU's funding instrument for the environment. The general objective of this programme is to contribute to the implementation, updating and development of EU environmental policy and legislation by co-financing pilot projects with European added value. The LIFE programme was launched in 1992. To date, three phases of the programme (LIFE I: 1992-1995, LIFE II: 1996-1999 and LIFE III: 2000-2006) have been completed. The ongoing programme (2007-2013) has been termed LIFE+: 2007-2013. With respect to data availability, the Directorate General responsible for environment of the European Commission provides exhaustive information on the projects funded through LIFE and LIFE+. This information can be easily aggregated at the NUTS 3 level. However, to facilitate analyses of expenditure flows and future research on EU environmental policy, the data at NUTS 3 level should be made available through Eurostat.

Figure 7 shows the allocation of LIFE+ funding per capita across the two *Länder* for projects covering the years 2007 and 2008 (see Annex IV for an overview of the data underlying figure 7). In the 27 EU member states, 143 projects have been selected following the call in 2007 and 196 following the call in 2008. Interestingly, however, only 2 projects in Rhineland-Palatinate and only 9 in Baden-Württemberg among the 17 LIFE+ projects that have been launched in Germany since 2007 have been funded through

LIFE+. Moreover, with regard to Baden-Württemberg, the projects are mostly concentrated in Stuttgart (3 projects). Two urban centres in Baden-Württemberg, i.e. Stuttgart (DE111) and Tübingen (DE142), benefit most from LIFE+ funding. Similar to ERDF and ESF funding, this illustrates that LIFE+ targets mainly resource-rich NUTS 3 regions. A closer examination of Annex IV reveals that since 2007, only three NUTS 3 regions in Baden-Württemberg and only one NUTS 3 region in Rhineland-Palatinate have received LIFE+ funding.

These findings suggest that the development of projects suitable to pursue the EU's environmental policy objectives is not widely proliferated in the two *Länder* under study. A similar trend can be noted in the field of investment projects financed through the ERDF and the ESF. In the interviews conducted for the purpose of this study, several interview partners were asked questions concerning environmentally-related projects funded by the ERDF and the ESF. Environmental objectives are usually included in the Operational Programmes in the form of so-called cross-sectional tasks (*Querschnittsaufgaben*). Several interview partners indicated that in their perception, the *Länder* governments of Rhineland-Palatinate and Baden-Württemberg would not prioritise the promotion of environmentally-related projects within the scope of the EU structural funds. A widespread opinion on that matter is expressed in the following words of a local policy-maker (Interview No 17):

Climate protection is mentioned in some of the project proposals, for example in those proposals that relate to tourism. So it is relevant in some way, but I do not think that it is of major importance (...) I think that we should not overload regional policy with more and more funding priorities such as environmental objectives. We should avoid creating a situation of complexity overload, which we already have in a way; especially in the field of innovation policy (...) this would result in difficulties to keep project proposals coming.

Figure 5: Allocation of EAGF funding per capita in NUTS 3 regions, 2008

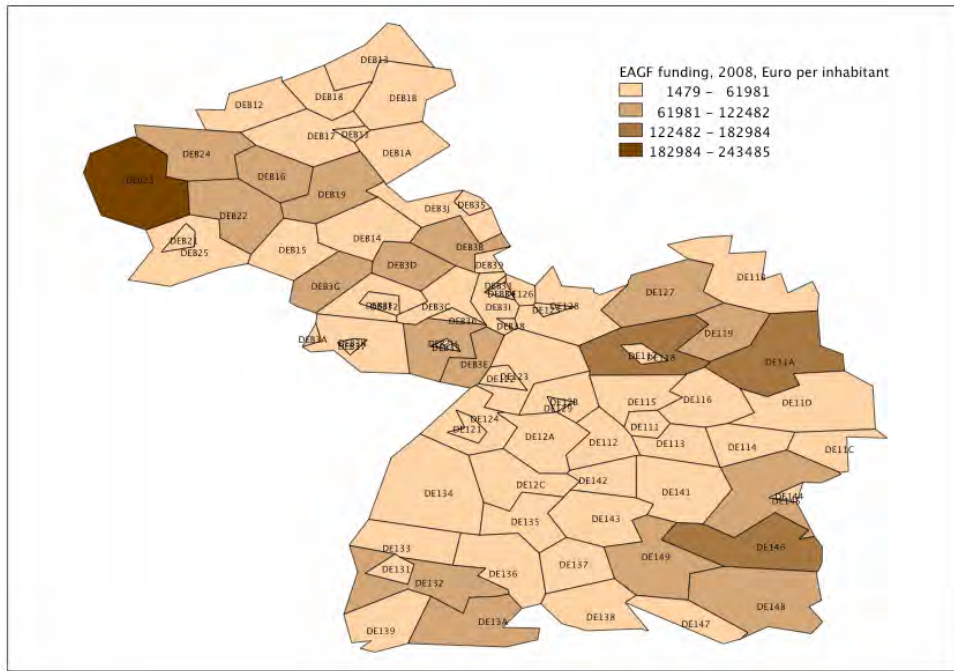


Figure 6: Allocation of EAFRD funding per capita in NUTS 3 regions, 2008

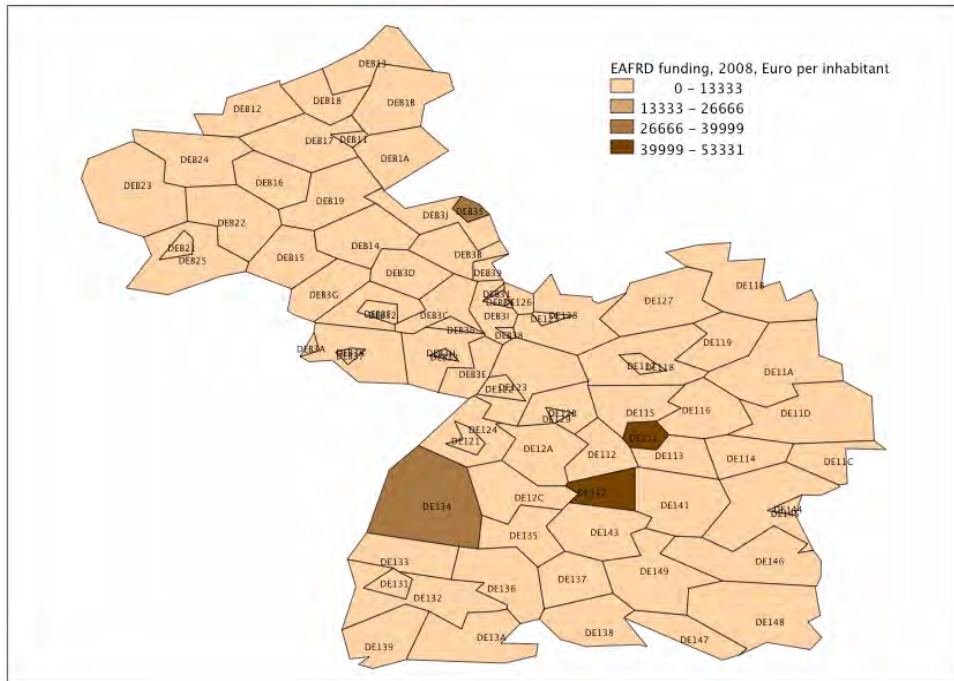
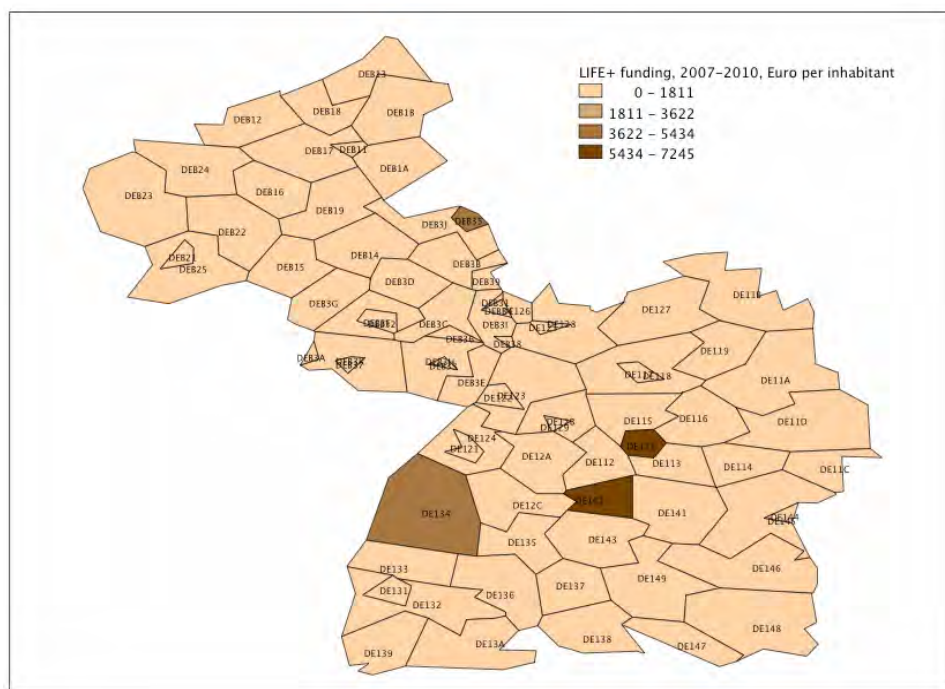


Figure 7: Allocation of LIFE+ funding per capita in NUTS 3 regions, 2007-2010



According to another local policy-maker, there is yet much to be done in order to enhance the potential beneficiaries' awareness and knowledge of EU funding opportunities that are relevant for the environment (Interview No 7). The *Länder* governments would have to create stronger incentives to draw up projects suitable for promoting environmental objectives, for example by giving relevant NGOs the possibility to submit comments during the programming process (Interview No 7, 17). These statements indicate that the deficit in environmentally-related projects in the two *Länder* depicted in figure 7 is not compensated through the investment strategy that guides the allocation of EU structural funds.

4. Data availability on EU structural, agricultural and environmental funding

Policy-makers at the local, regional, national and European level need high-quality EU expenditure data to assess whether public investment strategies have the intended and expected effects. Furthermore, public officials need to know where the demand for European structural assistance lies and whether regional policy programmes have been implemented in ways that further EU policy goals. Surprisingly, however, there is very little detailed knowledge about

the level of European resources flowing into regions at the NUTS 3 and the local level.¹² This study intends to redress this shortcoming. Although the EU expenditure data could be aggregated from the level of the individual beneficiaries at the NUTS 3 level for the purpose of this study (see Annex II, III and IV), this was only possible for less than 90% of the financial transfers through the ERDF and the ESF. The main difficulty we faced when aggregating the data was that the lists of final beneficiaries through the EU structural funds are published without postcodes.¹³ Furthermore, the quality of the available data is significantly reduced due to the intransparency regarding the measures being funded. As the

¹² In a recent attempt to redress this shortcoming, a project directed by SWECO has collected commitment data on the allocation of EU structural funds at NUTS 3 level for the period 2000-2006; see SWECO (2008).

¹³ However, this is in line with the relevant European Commission regulation (EC) No 1828/2006 of 8 December 2006 setting out rules for the implementation of Council Regulation (EC) No 1083/2006 laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and of Regulation (EC) No 1080/2006 of the European Parliament and of the Council on the European Regional Development Fund. As a consequence, the situation for about 10% of the allocation of EU structural funds appears to be uncertain. This also applies to FIFG funding (see Annex II).

individual measures are grouped into very broad funding categories, it is difficult to assess for what purposes the ESF and ERDF funds were allocated.

Without regional statistics of a quality sufficient to enable EU expenditure flows into NUTS 3 regions and municipalities to be measured and analysed accurately, a meaningful assessment of the equity and efficiency gains of EU funds is impeded.¹⁴ To enable researchers to study the extent to which EU resources are spent in ways that further the EU's economic and social goals, data on EU funds given to municipalities and NUTS 3 regions as well as the exact measures being funded should be provided in a publicly available database.

Part III: Challenges and problems during the implementation of the EU structural funds

Given the turmoil in financial markets, rising unemployment and staggering economic growth in the EU, there is a growing consensus that effective funding policies at the EU level are needed. In the second part of this study, we focus on the allocation of EU structural funds across the final beneficiaries in Baden-Württemberg and Rhineland-Palatinate by addressing the following research question: What are the focal points in the debate among local and regional policy-makers and stakeholders on the problems and challenges of the allocation of EU structural funds across the final beneficiaries in Baden-Württemberg and Rhineland-Palatinate?

To identify the strengths and weaknesses of the allocation process within Rhineland-Palatinate and Baden-Württemberg, 20 interviews with local, regional and EU policy-makers and civil servants have been conducted between March and May 2010. Among the interviewed practitioners are EU experts in local administration, top-level officials in regional chambers of commerce and top-level officials in regional administrations and in the European Commission that were involved in the process of structural funds implementation within these two states. To capture all potential focal points of the debate on the future management of EU structural funds, we conducted open face-to-face and telephone interviews. The interview partners have been asked a range of questions with regard to their view of the benefits and pitfalls of the allocation of structural funds, their most relevant contact persons and/or institutions in the policy network, as well as their suggestions to further improve the future allocation

and administration of EU funds within the regions.¹⁵ The interviewees have highlighted two aspects as being crucial in the debate on the implementation of the EU structural funds. In what follows, we discuss these two aspects: (1) The implementation of the 'partnership principle'; (2) The allocation of microcredits to support microbusinesses and NGOs.

The remainder of part III of this study proceeds as follows. Before presenting the findings from the interviews, the next section reviews the academic literature on the extent to which national and regional policy-makers pursue EU goals when distributing and implementing the EU structural funds. This literature review reveals that the two main aspects of structural funds implementation being highlighted in the literature correspond to the two aspects that were highlighted as crucial by the interviewees: (1) The establishment of a transparent and visible political process in which the potential beneficiaries are well-informed, which is the intention of the 'partnership principle'; (2) An employment policy which focuses on small and medium enterprises and social inclusion. The second section gives an overview of the different stages of the policy-making process leading up to the distribution of structural funds across the final beneficiaries. Moreover, it sheds light on the application possibilities of potential final beneficiaries and the relevant public institutions involved in the application processes in Rhineland-Palatinate and Baden-Württemberg. The third and fourth sections analyse the interview data with a view to the two main aspects highlighted in the debate, that is the 'partnership principle' and the financial support of small and micro businesses through microcredits.

1. The academic debate on EU structural funds implementation

The structural funds are the main instrument of the EU to promote the treaty objective of social and economic cohesion across European regions. The notion of cohesion encompasses a variety of meanings. In the words of Begg (2003: 163):

[I]t arguably embraces inequalities, whether in income, living standards, employment, or environmental conditions and also has to be seen in terms of opportunities as well as outcomes ... Convergence or divergence, however, are long-term processes that reflect both history and the effects of recent trends

¹⁴ See, for similar conclusions, Nuffield College and Office of the Deputy Prime Minister (2003).

¹⁵ Due to the sensitivity of the information, the interview data are confidential. We have assigned identification numbers for the different interview partners to which we refer throughout the report. We translated all interviews that were conducted in German into English.

that shape the ability of a local economy or social group to compete. Cohesion in this latter sense is about ensuring that the least well-off are able to share in the benefits of economic integration, possibly disproportionately.

Recently, the objectives of EU regional policy have been thoroughly analysed from a historical and comparative perspective in the so-called 'Barca report' (Barca, 2009). The report forcefully demonstrates that the key to creating wealth and achieving development is to enhance the transparency of public interventions and to promote agglomeration, i.e. the concentration of consumers, businesses and workers in an area. A major insight of this study is that only when subjecting structural actions to scrutiny and public debate, can we ensure an effective implementation of EU regional policy (Barca, 2009). With regard to the effectiveness of EU structural funds implementation, a vast academic literature investigates how and to what extent regional and national policy-makers pursue EU goals when implementing the structural funds (see Smyrl, 1995; De Rynck and McAleavey, 2001; Blom-Hansen, 2005). Results show mixed evidence across member states and regions as to whether EU requirements regarding the governance process and the distribution of structural funds are effectively pursued. According to Blom-Hansen (2005: 637):

[T]he member states are likely to be more mindful of national concerns than of any goals set at the EU level. Once the structural fund grants start flowing in, the temptation to renege on the EU goals may become irresistible [...] Legal, economic and administrative incentives to stay loyal are, at best, weak.

De Rynck and McAleavey (2001: 545-6) note:

Once intergovernmental bargaining has allocated the budget to the various member states and regions, Structural Fund policy exhibits more of the features of a patronage-based distributive policy [...] This would account for what often happens within Structural Fund partnerships where debates are typically anodyne, following a 'gentlemanly agreement' not to criticize other partners' actions in the presence of the European Commission and central government administrations.

Both quotes are examples of a literature that is critical of the extent to which policy-makers pursue EU goals when implementing the EU structural funds. This critical strand in the literature is in line with economic research examining the effects of the EU structural funds on regional economies and convergence. While

the structural funds have officially succeeded in making a difference to standards of living across the Union (see, for example, European Commission, 2004) numerous scholars have pointed to the economic inefficiency of EU structural spending. Critics allege that the structural funds have not promoted the treaty objective of economic and social cohesion and with respect to some economic indicators even have been counterproductive to regional economic convergence (e.g. Boldrin and Canova, 2001; Fagerberg and Verspagen, 1996; Beugelsdijk and Eijffinger, 2005; Santos, 2008).

Recent studies evaluating the implementation of EU structural policy in the member states highlight a disconnection between the stated objectives of EU structural policy and the actual implementation of EU structural funds within member states (Danish Technological Institute, 2005; Santos, 2008). For example, regional policy-makers throughout Europe have not systematically adopted the Lisbon strategy but have largely pursued their own funding priorities within regions (Danish Technological Institute, 2005). However, it is publicly maintained that the structural funds should promote the goals from the Lisbon agenda, that is the creation of employment, the investment in human capital and in small and medium enterprises (SME) and in a sustainable energy policy (Rodrigues, 2009). These aims may run counter to the overall treaty objective of economic and social cohesion, as resources may be targeted to the economic centres rather than to the deprived areas (Santos, 2008).

In light of these considerations, two key requirements to achieve the EU's regional policy goals can be formulated. (1) The establishment of a transparent and visible political process in which the potential beneficiaries are well informed and in which funding strategies are submitted to scrutiny. (2) An employment policy that focuses on small and medium enterprises and social inclusion. What are the experiences of local and regional policy-makers and stakeholders with regard to these aspects of the implementation of EU structural funds? Before analysing this question further, the next section briefly describes and analyses the different stages of the allocation process.

2. The process of EU structural funds allocation

This section informs about the three stages of the policy-making process regarding the allocation of EU structural funds in Germany during the period 2007-2013. At the first stage, the EU structural funds are apportioned across the EU member states. At the second stage, EU funds are apportioned across regions. At the third stage, the structural funds are implemented within the regions.

2.1 Financial perspective and European regulatory framework

In 1988, the financial perspective was adopted for the first time as a multiannual budgetary plan for the period 1988-1992. By laying down the maximum amounts of both total expenditure and annual expenditure in EU structural policy, the financial perspective functions as a budget constraint during the allocation process. Furthermore, it specifies *how the structural funds are allocated across the EU member states*. The financial perspective is negotiated by the Council, the Commission and the European Parliament (EP) and ultimately adopted by the heads of state or government. For the period under investigation, the financial perspective adopted at the Brussels European Council in 2005 (European Council, 2005) is relevant. Once the financial perspective is adopted, the Council passes a regulation that specifies the legal provisions of the structural funds allocations. More specifically, this Council regulation includes provisions on the objectives of financial assistance, the eligibility criteria regions have to meet in order to qualify for funding, the development programmes to be co-financed by the structural funds, as well as the implementation and the financial management of these programmes. The Council regulation is adopted on the basis of a Commission proposal under unanimity, after having obtained the assent of the EP.¹⁶

On the basis of this regulatory framework, the structural funds are allocated across regions and then across final beneficiaries within regions. Figure 8 depicts these stages of the policy-making process as well as the corresponding legal provisions that are addressed in the next sections 2.2 and 2.3.

2.2 Commission decisions on regional funds allocations

The process in which the Commission, national and regional governments negotiate *how the structural funds are allocated across regions* is organised in two stages.

1. The 9.4 billion Euro (in current prices) that are allocated to Germany under the structural funds are divided up so that 50 percent are allocated through the ESF and the ERDF respectively. Subsequently, the funds are apportioned between the *Länder* and the federal level of government. Although structural actions in Germany are usually

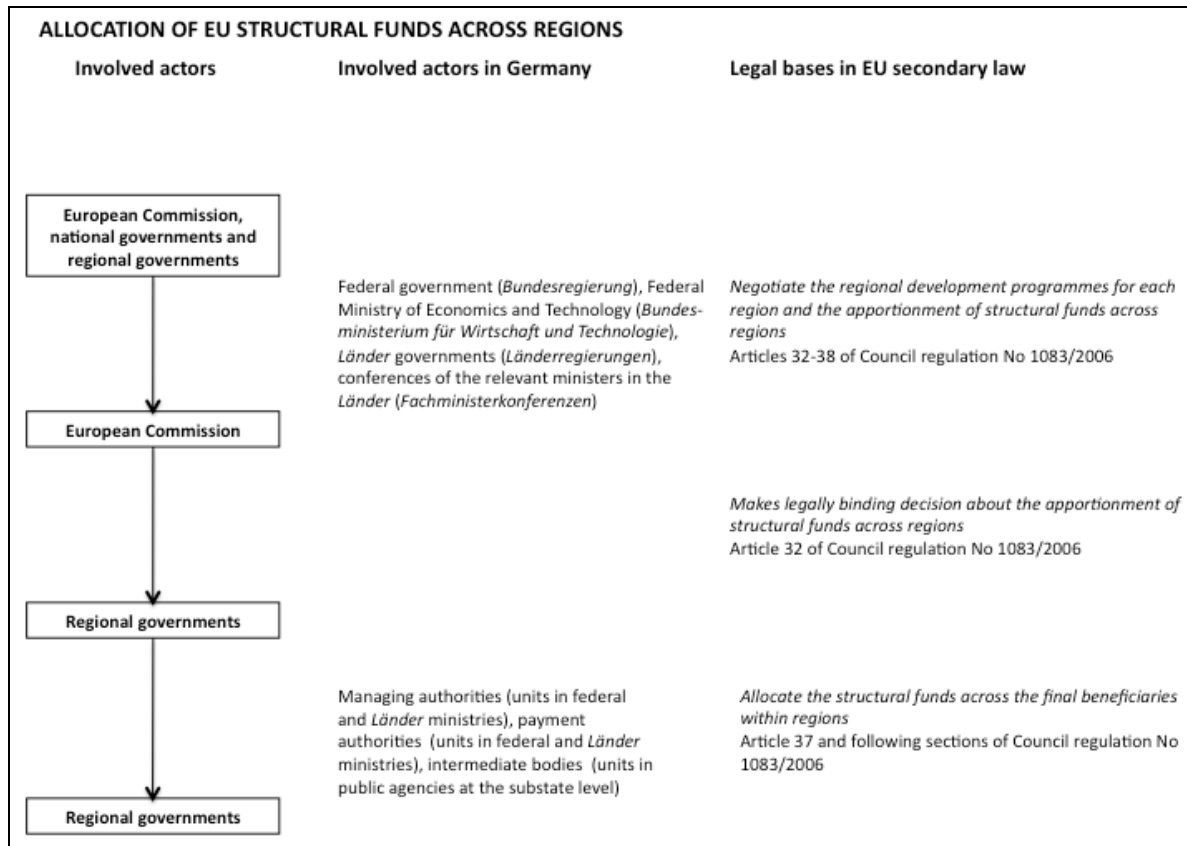
negotiated within the committee responsible for decisions related to the joint agreement for the 'Improvement of the regional economic structure' (*Planungsausschuss*), the negotiations of the EU structural funds' allocations take place within informal meetings of working groups of the second chamber (*Bundesrat*). The *Länder* governments delegated to these working groups, which prepare the decisions made in the conferences of the relevant state ministers (*Fachministerkonferenzen*). The conference of the ministers for labour and social affairs (*Arbeits- und Sozialministerkonferenz*) deals with the allocation of the ESF funds, while the conference of the ministers for economics deal with the allocation of the ERDF funds (*Wirtschaftsmministerkonferenz*). The conferences of the state ministers decide on an allocation key that takes into account several criteria, such as the economic performance of the states, unemployment rates, youth unemployment and employees above 50 years.

2. The *Länder* draw up Operational Programmes for each fund. The main elements that a regional development programme shall contain are (1) an analysis of the current situation with regard to socio-economic disparities in the region, (2) a justification of funding priorities, (3) an evaluation of the feasibility of the funding strategy ('ex ante evaluation') and (4) detailed funding plans with an indicative list of major projects to be funded (Article 32 of Council regulation No 1083/2006). In the language of the EU, this process is called 'programming'. Programming refers to the allocation of the EU structural funds to multiannual regional development programmes. The Commission evaluates each programme in order to determine whether it complies with the objectives and priorities set out in the structural funds regulations (Articles 32-38 of Council regulation No 1083/2006).

Once the Operational Programmes and the funds allocated to these Programmes have been decided, the *structural funds are allocated across the final beneficiaries within regions*.

¹⁶The legal bases for the Council regulation that specifies the legal provisions of the structural funds allocations are Art. 2 Treaty on European Union (TEU) and Art. 158-162 ECT (former Art. 130a-130d ECT).

Figure 8: Stages of the allocation process and corresponding legal provisions



2.3 The implementation of EU structural funds within the recipient regions

The final beneficiaries developing and carrying out the projects are typically regional public administrations, training and development agencies, research institutes, businesses and other governmental or quasi-governmental bodies involved in regional economic development. For each Operational Programme, Germany had to appoint a managing authority (a national, regional or local public authority or public/private body to manage the Operational Programme), a certification body (a national, regional or local public authority or body to certify the statement of expenditure and the payment applications before their transmission to the Commission) and an auditing body (a national, regional or local public authority or body for each operational programme to oversee the efficient running of the management and monitoring system).

The managing authorities within the *Länder* decide on the allocation of the structural funds' across final beneficiaries. In Baden-Württemberg, the managing authority for the ERDF is the Ministry of Agriculture,

Food and Consumer Protection (*Ministerium für Ländlichen Raum, Ernährung und Verbraucherschutz*) and the Ministry of Labour and Social Affairs (*Minister für Arbeit und Sozialordnung*) for the ESF. In Rhineland-Palatinate, the managing authority for the ERDF is the Ministry of Economics, Transport, Agriculture and Viticulture (*Ministerium für Wirtschaft, Verkehr, Landwirtschaft und Weinbau*) and the Ministry of Labour, Social Affairs, Health, Family and Women (*Ministerium für Arbeit, Soziales, Gesundheit, Familie und Frauen*) for the ESF. The approval of projects is a complex process that typically involves several public actors. The following examples illustrate this process.

With regard to the ESF in Rhineland-Palatinate, for example, project applicants should consult a special agency (*Landesweite Beratungsstelle für Arbeitsmarktpolitik*) and then the intermediary body (Unit 63 within the *Landesamt für Soziales, Jugend und Versorgung*). This intermediary body is responsible for the review, approval and controlling of the project application. However, the main responsible authority for the implementation of the Operational Programme, however, is the Ministry of

Labour, Social Affairs, Health, Family and Women (*Ministerium für Arbeit, Soziales, Gesundheit, Familie und Frauen*) (<http://esf.rlp.de/>). With regard to the ERDF in Rhineland-Palatinate, project applicants should consult the intermediary bodies such as the Investitions- und Strukturbank Rheinland-Pfalz (ISB) and different units within the following state ministries: *Ministerium für Wirtschaft, Verkehr, Landwirtschaft und Weinbau, Ministerium für Bildung, Wissenschaft, Jugend und Kultur, Ministerium für Umwelt, Forsten und Verbraucherschutz, Ministerium des Innern und für Sport, Aufsichts- und Dienstleistungsdirektion* (<http://efre.rlp.de/>).

With regard to the ESF in Baden-Württemberg, for example, project applicants should consult the *Staatsbank von Baden-Württemberg (Abteilung für Finanzhilfen, Abteilung EU-vor-Ort-Kontrollen)* that reviews the applications, approves of applications and provides the financial means granted to the respective applications. During this process, the Ministry of Economics (*Wirtschaftsministerium*) as well as the Ministry of Labour and Social Affairs (*Minister für Arbeit und Sozialordnung*) evaluate the applications, while Ministry of Labour and Social Affairs is responsible for the correct implementation of the EU funds. It is important to note, however, that regional working groups are consulted that provide information about the specific needs of local areas and that rank the project applications according to their potential to meet local needs (<http://esf.rlp.de/>). With regard to the ERDF in Baden-Württemberg, project applicants should consult the concerning relevant units within the following state ministries: *Wirtschaftsministerium, Ministerium für Wissenschaft, Forschung und Kunst, Ministerium für Ländlichen Raum, Ernährung und Verbraucherschutz, Ministerium für Umwelt, Naturschutz und Verkehr* (<http://www.rwb-efre.baden-wuerttemberg.de/>).

Figure 9 depicts these processes by using the example of the allocations through the ERDF in Rhineland-Palatinate and Baden-Württemberg. The actual transfer payments from the structural funds are made when the Commission reimburses the expenditure of the *Länder* governments for individual projects carried out by the final beneficiaries. The co-financing from the structural funds by the Commission takes place at the level of the Operational Programme and is made by way of reimbursement of aggregated statements of expenditure submitted by the *Länder* governments.¹⁷

¹⁷ More detailed information can be found on the websites of the relevant managing authorities: <http://www.rwb-efre.baden-wuerttemberg.de/> for Baden-Württemberg and <http://www.efre.rlp.de/> for Rhineland-Palatinate. Similar information for the ESF can be found on the websites of the ESF managing authorities:

During the negotiations between the Commission and the *Länder* governments over the Operational Programmes at the beginning of a funding period, there are typically preliminary talks between the *Länder* governments, the county districts (*Landkreise*) and the municipalities. The purpose of these talks is to assess the extent to which potential final beneficiaries from the different areas within a state can come up with eligible projects once the Operational Programme is approved (Interview No 13). One intention behind this strategy is to ensure a swift absorption of the EU funds during the funding period because if the money provided by the EU budget in a particular year is not spent on projects by the end of the second year after that ('N+2 rule'), that money is lost (Interview No 3). Yet, this communication strategy can be selective and favour specific areas over others, depending on the political priorities of the state governments (Interview No 8, 13). This is especially problematic since the EU's legal provisions concerning the structural funds' allocation do not require the establishment of an ombudsman or a special complaints office where actors within the regions can submit complaints. Yet, all managing authorities have listed contact persons for different areas of competences on their websites.

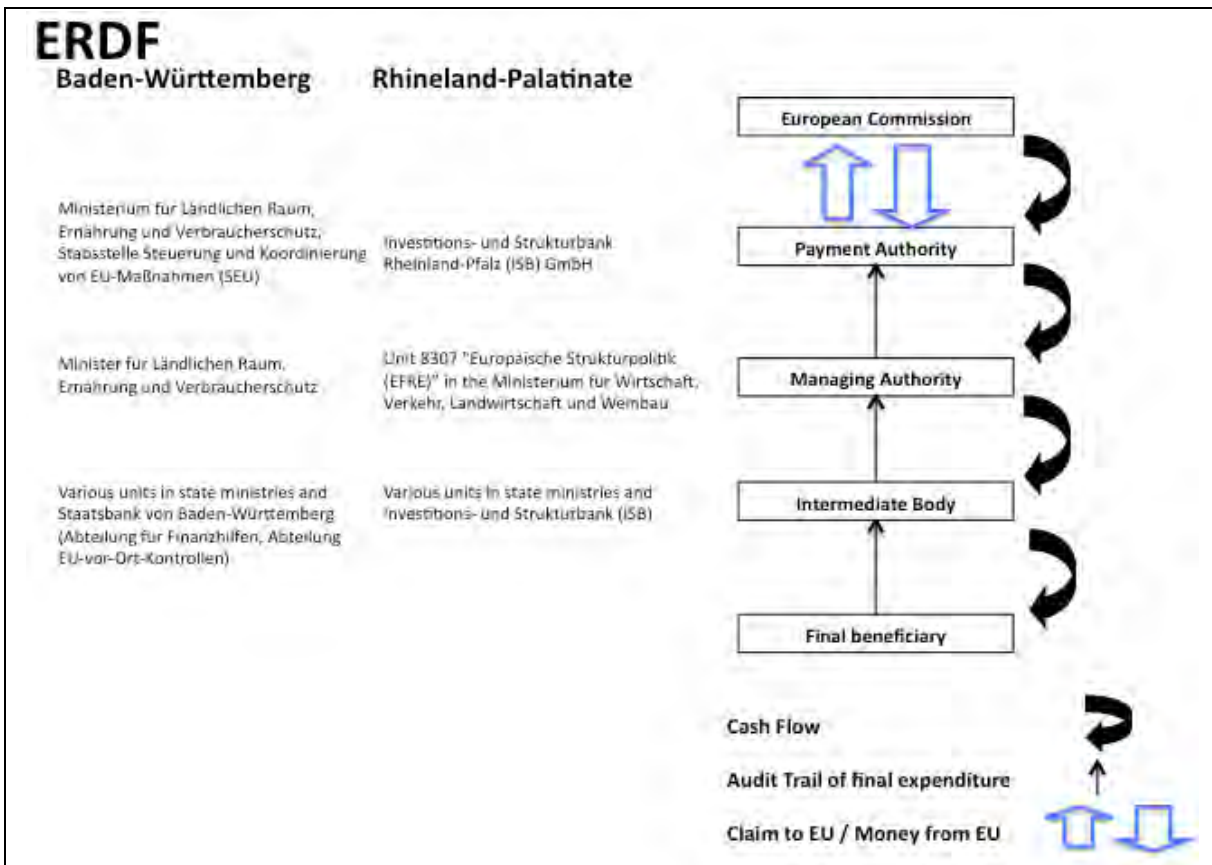
3. The need for a more transparent and visible allocation process

One of the process requirements of EU regional policy is the so-called 'partnership principle', which stipulates that structural actions should be drawn up in partnership between the European Commission, regional authorities as well as local public and private actors that are potential beneficiaries of the funds.¹⁸ Ideally, the political process is a 'bottom-up' process in which local public and private actors inform regional policy-makers about potential projects and programmes on the ground, which can be in turn integrated in the regional funding strategy set out in the Operational Programmes. Projects are subsequently formulated and implemented locally. According to EU secondary legislation: "The objectives of the Funds shall be pursued in the framework of close cooperation (...) between the Commission and each Member State. Each Member State shall organise, where (...) in accordance with current national rules and practices, a partnership."

<http://www.esf-bw.de/esf/index.php?id=46> for Baden-Württemberg and <http://esf.rlp.de/index.php?id=1698> for Rhineland-Palatinate.

¹⁸ Council regulation (EC) No 1083/2006 of 11 July 2006.

Figure 9: Cash flow through the ERDF and audit trail



Source: Information compiled from the websites of the managing authorities.

Potential partners are any appropriate body representing civil society, whereby "particularly the regions" shall be involved in the negotiations of the regional development programmes (Article 11 of Council regulation No 1083/2006).

The rationale behind the partnership principle is grounded in the idea that a process including actors spanning the public-private sector divide is suitable to produce policy outcomes that further the EU's efficiency and equity goals. 'Partnership' can contribute to a more effective implementation of structural funds, as the partnerships can help making the use of resources more transparent and visible to the potential beneficiaries. Furthermore, partnerships can be a suitable instrument to raise the awareness on and promote an increased involvement of local policy-makers and stakeholders in EU regional policy.

With regard to the distribution of funds within regions, regional authorities managing the structural funds enjoy considerable discretion. The eligibility rules for the final beneficiaries are set at national level, leaving the regional authorities with much

discretion to implement their Operational Programmes.¹⁹ At the same time, this implies a greater responsibility of regional authorities to inform the potential beneficiaries about the eligibility rules and to consult them a priori to assess their "need".

The managing authority shall provide potential beneficiaries with clear and detailed information on at least the following: (a) the conditions of eligibility to be met in order to qualify for financing under an operational programme; (b) a description of the procedures for examining applications for funding and of the time periods involved; (c) the criteria for selecting the operations to be financed (...)" (Articles 5 No 2 and 13 of Commission Regulation 1828/2006).

The structural funds can have an impact on the awareness of people regarding the EU's economic and social objectives, but only if information on the

¹⁹ Art. 56 (4) of Council Regulation No 1083/2006 of 11 July 2006.

allocation of EU structural aid is systematically disseminated and if the process is structured in a way that everyone has the opportunity to voice dissent with the regional funding strategy (cf. Barca, 2009).

Yet, our interview data suggest that the political process is characterised by an informational asymmetry to the benefit of resource-rich and well-organised groups within local areas that can mobilise the resources and expertise to develop projects (cf. de Rynck and Mc Aleavey, 2001). Although the European Commission and regional authorities provide information on funding programmes and application processes, less resource-rich municipalities face severe informational asymmetries. In addition, regional parliaments appear to have no systematic access to information about the actual allocation of EU structural funding to final beneficiaries, as numerous requests of members of regional parliaments regarding the distribution of structural funds illustrate.²⁰ Furthermore, the interviews conducted for this study clearly showed that the potential beneficiaries could not all equally access information. One local policy-maker stated:

There are many gaps that have yet to be bridged in the communication from the local to the EU level in regional policy. In Baden-Württemberg for example, city halls and local policy-makers receive information on EU funding programmes on a relatively regular basis from regional intermediary administrations [*Regierungspräsidien*, LD]. Unfortunately we lack such an information policy in Rhineland-Palatinate. There is no equivalent systematic information strategy (Interview No 8).

Regional intermediary administrations (e.g. *Regierungspräsidien*) and regional governments allege that there is no information deficit. Yet local policy-makers criticise that there should be more information available. For example, a more successful implementation of the regional Operational Programmes could be achieved if monitoring committees would meet more regularly. To date, the monitoring committee in Baden-Württemberg meets only once a year, which impedes an effective dissemination of information across local and regional partners (Interview No 4).

The information gap in regional policy has especially been criticised with regard to the process of drawing up the regional Operational Programmes. Both in Rhineland-Palatinate and Baden-Württemberg, a range of interview partners have criticised that local public and private partners were not systematically

consulted by the *Länder* governments when drawing up the Operational Programmes for 2007-2013 (Interview No 3, 4, 8, 10, 13, 14, 17). According to a local civil servant:

Actually, we haven't been consulted at all (...) In fact, we tried to influence the process by writing statements and by obtaining information through the German Association of Cities and Towns (*Deutscher Städtetag*, LD). We were however not asked to contribute to the process. Officially, we have been notified only of the presentation of the Operational Programme when it was already decided" (Interview No 13).

Others have had similar experiences. For example, two policy-makers working at an intermediary level between the local and the regional (*Länder*) level state:

We had to provide ourselves with the drafts [*of the Operational Programmes*, LD]. If we hadn't demanded the information, we wouldn't have been involved at all in the process (...)" (Interview No 17).

With respect to the transnational programmes I would prefer to be informed earlier, especially regarding the preliminary considerations between the government departments and the European Commission. We are involved in some way. (...) However, the problem will be, as in the years before, the ad hoc call for statements on the drafts of the Operational Programmes. In the past it has been difficult to check intensely and to consider all the aspects in time (Interview No 14).

The interviewees suggested that in order to be able to assess the economic needs of a *Land*, the relevant local policymakers and stakeholders have to be consulted by the *Länder* government. The consultation of the relevant 'partners' during the drawing up of the Operational Programme should start early and proceed systematically during a programming period. Furthermore, the interviews have shown that *Länder* governments have adopted a top-down approach when drawing up regional Operational Programmes. As local policy-makers and stakeholders are not systematically involved in the political process, an effective dissemination of information among all potential beneficiaries is impeded. In addition, this impedes that the effectiveness and the responsiveness of the regional funding strategy are submitted to public scrutiny and debate (cf. Barca, 2009). The findings are in line with the above-discussed literature on the implementation of EU structural funds within member states,

²⁰ See, for example, Drucksachen 15/708 and 15/3364 of Landtag Rheinland-Pfalz, 15. Wahlperiode.

suggesting that the *Länder* governments use their discretion to allocate the structural funds in ways that may not further EU policy goals (cf. Blom-Hansen, 2005).

4. The need for a more effective provision of microcredits

In this section, we focus on two programmes launched by the EU in order to improve access to finance for small businesses and for socially excluded people: the European Progress Microfinance Facility, financed through the PROGRESS programme and the JEREMIE and JESSICA programmes, financed through the structural funds.

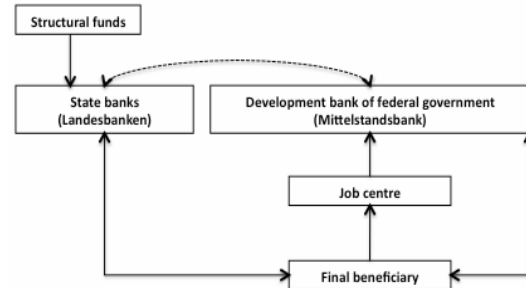
4.1 European Progress Microfinance Facility

In view of the financial and economic crisis, the EU has set up a new European Progress Microfinance Facility providing microcredits to small businesses and to people who have lost their jobs and want to start their own businesses. The idea that small and micro businesses need support in obtaining loans for their investment has become a consensus among policy-makers throughout Europe. The goal is to boost employment while promoting social inclusion at the same time. An initial budget of 100 million Euro is expected to leverage 500 million Euro of credit in cooperation with international financial institutions such as the European Investment Bank (EIB) Group. This could result in around 45000 loans over a period of up to eight years (KfW Bankengruppe, 2007).

Figure 10 shows how the allocation process in Germany works in theory. The EU structural funds are made available to the state banks, which in turn provide loans (under 25000 Euro) to the potential micro borrowers. The provision of loans depends on the decision of the *Mittelstandsbank*, the development bank of the German federal government, which offers a range of development programmes for companies. The *Mittelstandsbank* is contacted by local job centres which support startup companies, small or micro businesses with their business plans. The advantage of this model is the unbureaucratic nature of the subsidies. EU funds are made available to banks, not-for-profit micro lenders or institutions providing guarantees and other providers of microfinance products to microenterprises and are therefore designed to fit with existing instrument such as the ESF. The current economic downturn was prompted by severe liquidity problems: Banks stopped lending to each other and also stopped lending to people running businesses and creating jobs. The new micro-finance facility aims to make it easier for people who, in the current context of reduced credit supply, might have difficulties in accessing funds for business start-ups. Detailed information about the application

procedures is provided at the website of DG Employment, Social Affairs and Inclusion (cf. <http://ec.europa.eu/social/main.jsp?catId=836&langId=en>).

Figure 10: European Progress Microfinance Facility



In view of these problems, the initiative of the European Commission is a first step, but there is a need for more money being dedicated to these funds to ensure the creation of sustainable structures to implement this strategy. In theory, the initiative could help bringing Europe closer to the people. In practice, the new instrument has not been well promoted in Baden-Württemberg and Rhineland-Palatinate. For example, one of our interview partners from a regional provider of microfinance products has criticised that the structures at the local and regional level have yet to be built. He emphasises that loans should be made available by normal financial institutes, but that the costs that the credit institutes would face when implementing this programme were still too high (Interview No 12).

4.2 Programmes promoting urban social and economic development

There are other European financial instruments of the EU to help SMEs through the crisis that have not been effectively implemented in the *Länder*. To address supply-side deficiencies, especially in the context of SMEs, the EU offers a range of programmes intended to promote increased access to finance for the development of SMEs in the context of EU structural funds 2007-2013. Most importantly, the JEREMIE (Joint European Resources for Micro to Medium Enterprises) programme was launched by the European Commission (Directorate-General for Regional Policy) and the EIB Group. This programme offers EU member states the opportunity to use part of their received EU structural funds to finance SMEs by means of equity, loans or guarantees, whereby the means can be channelled through the Operational Programmes. In Germany, however, only Brandenburg has integrated the JEREMIE programme

in its regional funding strategy so far. Another initiative of the European Commission in cooperation with the EIB and the Council of Europe Development Bank (CEB) is the JESSICA (Joint European Support for Sustainable Investment in City Areas) programme, which is designed to promote sustainable investment and to create new wealth and jobs in urban areas. To date, the programme has not been implemented in Baden-Württemberg. By contrast, Rhineland-Palatinate has taken first steps to its implementation. The *Länder* government has established *Konsultationsstellen* for *Stadtentwicklungsfonds*, which aim to target deprived urban areas by mobilising public and private capital. In this vein, the funds could contribute to more sustainable development through the integration of a variety of public and private local actors in the policy network (Interview No 18).

A more effective implementation of Community programmes such as JEREMIE and JESSICA could serve as a role model to integrate potential beneficiaries and local policy-makers early in the political process and to create sustainable policy networks by mobilising both private and public capital. In providing less grants and more loans and in enhancing the transparency of the policy-making process, new incentives to implement the structural funds in ways that promote socially relevant projects set up by microbusinesses could be created. The following case of urban development funding in Mannheim underlines the necessity of a more effective support of microbusinesses.

Before the funding period 2007-2013, Mannheim, located within the region *Rhein-Neckar*, received EU structural funds through the Community Initiative URBAN and later URBAN II. Under the financial perspective for the period 2007-2013, the Community Initiatives were abolished and incorporated in the ERDF, implying that projects in Mannheim today face greater difficulties in attracting EU funding. Mannheim is uniquely suitable for illustrating that EU structural policy has supported urban projects in the past but failed to induce a sustainable funding strategy. Regional stakeholders, journalists and policy-makers have repeatedly criticised that socially relevant projects in Mannheim have not been subject to a sustainable EU funding strategy that adequately addresses social and economic problems (Interview No 13, 19). Furthermore, critics allege that the EU structural funds have not helped creating sustainable networks and capacities to effectively combat social and economic problems in the long run. Projects are typically funded from one to three years, making it difficult to conduct projects in cooperation with public authorities and to integrate them in existing urban social and economic planning strategies (Interview No 19). We illustrate these problems by using the example of a former beneficiary of URBAN

funding in Mannheim: the German-Turkish Economic Centre (*Deutsch-Türkisches Wirtschaftszentrum Mannheim*).

The German-Turkish Economic Centre is a non-governmental organisation that supports local entrepreneurs of Turkish descent by providing expertise needed to manage micro-businesses. In the words of one of the consultants at the German-Turkish Economic Centre: “Our main objective is to inform Turkish businesses about the legal provisions relevant to micro-businesses and to help the Turkish businesses to achieve equal opportunities as any other business in Germany” (Interview No 20). In this respect, the German-Turkish Economic Centre helps combating the main structural problem faced by the city of Mannheim, that is the high levels of unemployment and in particular long-term unemployment. In 2005, Mannheim had an unemployment rate of 12.7 percent, that is the highest unemployment rate in comparison with other urban areas in the region Baden-Württemberg (Operational Programme ‘EFRE’ Baden-Württemberg 2007). Thus, the German-Turkish Economic Centre contributes to a better integration of weak groups in the region, such as migrants and women, into the labour market.

During the programming period 2003 to 2006, the German-Turkish Economic Centre received 924,000 Euro from the EFRE for infrastructure and 341,000 Euro from the ESF for operating costs. Over these three years, the Centre’s services helped building 45 businesses, thereby creating jobs for more than 100 employees. More than 80 percent of these businesses were still in place after one year, effectively illustrating the success of the Centre’s service provision. However, the *Landeskreditbank Baden-Württemberg* advised the Centre not to submit its follow-up application of the Centre for EU funding after 2007 to the government of the Land-Baden-Württemberg. The *Landeskreditbank Baden-Württemberg* is, inter alia, responsible for helping potential EU funding beneficiaries to draw up project applications that are submitted to the relevant ministry of the *Land*. The latter ultimately decides on the project application. In the case of the German-Turkish Economic Centre, however, the *Landeskreditbank* rejected the application without providing further advice for a revision of the application. The application was rejected because the costs for the Centre were considered to be too high (Interview No 20). As a result, the German-Turkish Economic Centre has not received EU funding since 2007 and depends almost exclusively on the financial support provided by the city administration of Mannheim.

This creates a paradoxical situation. On the one hand, the success of the Centre can be illustrated by the fact that it was finalist of the EC RegioStars 2010 awards for regional innovative projects in the category “The

integration of migrants or marginalised groups in urban areas". On the other hand, the services of the Centre today cannot be provided by the former staff of the Centre itself. In theory, they are provided by the city administration of Mannheim. It is unclear, however, how the city administration will provide these services without the expertise and the personal and professional networks of the former staff of the Centre (Interview No 20).

This example illustrates that socially relevant projects that have successfully promoted capacity-building in urban areas in the past can be essentially paralysed if their EU funding expires. This may thwart core objectives of the EU to create sustainable structures that help alleviating social and economic problems in the EU. Future reforms of the EU structural funds should envisage a funding strategy that is specifically tailored to urban problems and that aims at creating sustainable networks. Furthermore, EU funding should target projects that are relevant on a social dimension. Stakeholders have criticised that the projects that have been funded since 2007 are almost never relevant to social goals such as the integration of women and migrants into the labour market. Furthermore, it is seldom that all relevant public and private stakeholders have been involved in the drawing up of the projects funded by the EU. In light of these considerations, the EU needs a funding strategy that allows for a more effective and sustainable capacity-building in urban areas.

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Annex I

Method to calculate the regions' net benefits from the structural funds

Although the regions do not contribute directly to the EU budget, they have net balances that can be assessed on the basis of a region's contribution to a given country's income. We use the following methodology proposed by Santos (2008) to calculate the regions' net benefits from the structural funds. In doing so, we use the indicatively allocated structural funds under the objectives Convergence and RCE through the ERDF and the ESF. Actual payment data of structural funding during the current funding period 2007-2013 are not yet available. First, each region's share of a given country's disposable income is used to distribute the budgetary cost of EU structural policies. Second, we calculate the contribution of each country to the EU structural funds budget, which depends on the share of the overall budget financed by that member state. This share is derived from a European Commission report on the EU budget (European Commission, 2008). For example, if France, on average, paid overall 17.2 percent of the EU annual budget from 2000 to 2006, it is assumed that it also paid for 17.2 percent of the EU structural funds budget. Third, this contribution is divided among the regions of a given country proportionally to their disposable income. The region's net balances are the difference between the region's contribution to and benefits from EU structural spending (cf. Santos, 2008).

Annex II

Committed EU structural expenditure in Euro, 2007 and 2008, together with FIGG^d

NUTS Code	Name of NUTS region	ERDF 2007	ESF 2007 ^a	ERDF 2008	ESF 2008 ^a	FIGG 2008	Total 2007-2008 ^c
DE111	Stuttgart	0	1509080	876643	63100000	0	64000000
DE112	Böblingen	0	214924	51788	1957949	0	2009737
DE113	Esslingen	0	328182	413059	4436768	0	4849827
DE114	Göppingen	0	232709	1601882	4158820	0	5760702
DE115	Ludwigsburg	44200	770300	273053	2456908	0	2729961
DE116	Rems-Murr-Kreis	0	526100	743745	3770932	0	4514677
DE117	Heilbronn Stadtkreis	0	79788	175799	2134314	0	2310113
DE118	Heilbronn Landkreis	0	154945	664445	1127377	0	1791822
DE119	Hohenlohekreis	0	51174	1616729	1092383	0	2709112
DE11A	Schwäbisch Hall	135200	55874	3817493	406814	0	4224307
DE11B	Main-Tauber-Kreis	776300	66410	1203944	476677	0	1680621
DE11C	Heidenheim	330240	62994	818749	1235746	0	2054495
DE11D	Ostalbkreis	190400	130447	2650022	1512501	15756	4178279
DE121	Baden-Baden	0	51291	4141	400958	0	405099
DE122	Karlsruhe	0	201568	1532100	4746856	0	6278956
DE123	Karlsruhe Landkreis	0	160872	416436	1118597	0	1535033
DE124	Rastatt	0	72084	74428	628937	0	703365
DE125	Heidelberg	0	79788	0	2373807	0	2373807
DE126	Mannheim	0	915832	250332	7813991	0	8064323
DE127	Neckar-Odenwald-Kreis	368900	119696	4194529	815274	0	5009803
DE128	Rhein-Neckar-Kreis	0	274001	429491	1422122	0	1851613
DE129	Pforzheim	0	27697	1551339	2222097	0	3773436
DE12A	Calw	0	64440	516013	1010452	77500	1603965
DE12B	Enzkreis	0	89062	43888	523895	0	567783
DE12C	Freudenstadt	0	36156	762069	240974	0	1003043
DE131	Freiburg	0	652112	0	6145780	0	6145780
DE132	Breisgau-Hochschwarzwald	0	107216	369163	1746997	0	2116160

DE133	Emmendingen	0	338984	307216	1108253	0	1415469
DE134	Ortenaukreis	0	126784	637774	3864107	0	4501881
DE135	Rottweil	0	96760	206902	1285720	0	1492622
DE136	Schwarzwald-Baar-Kreis	52900	143720	1176703	1436321	0	2613024
DE137	Tuttlingen	0	105640	1493250	1239666	0	2732916
DE138	Konstanz	0	118085	240300	1513669	0	1753969
DE139	Lörrach	0	193151	200461	1093533	0	1293994
DE13A	Waldshut	0	139879	350746	545253	0	895999
DE141	Reutlingen	0	1025766	582690	3533035	0	4115725
DE142	Tübingen	0	677071	73802	2108003	0	2181805
DE143	Zollernalbkreis	421000	95030	2101601	1074047	0	3175648
DE144	Ulm	0	97615	1591282	6693084	0	8284366
DE145	Alb-Donau-Kreis	250000	53466	904609	165532	50000	1120141
DE146	Biberach	69000	162027	988650	107863	0	1096513
DE147	Bodenseekreis	0	67041	269640	2177609	0	2447249
DE148	Ravensburg	0	105374	323701	938454	0	1262155
DE149	Sigmaringen	170340	68021.34	1035253	1194728	0	2229981
DE1	Baden-Württemberg^b	2808480	10649152.2	41161345	124232050	143256	165536651
DEB11	Koblenz	0	0	0	36291	0	36291
DEB12	Ahrweiler	0	0	0	0	0	0
DEB13	Altenkirchen	0	0	1114230	79064	0	1193294
DEB14	Badkreuznach	0	0	1878705	71929	0	1950634
DEB15	Birkenfeld	0	0	1565190	73494	0	1638684
DEB16	Cochem-Zell	0	0	996530	0	0	996530
DEB17	Mayen-Koblenz	0	0	4588833	217306	0	4806139
DEB18	Neuwied	0	0	1075500	68616	0	1144116
DEB19	Rhein-Hunsrück-Kreis	0	0	133380	52476	0	185856
DEB1A	Rhein-Lahn-Kreis	0	0	149940	27494	0	177434
DEB1B	Westerwaldkreis	0	0	0	31532	0	31532
DEB21	Trier	0	0	0	26321	0	26321
DEB22	Bernkastel-Wittlich	0	0	906756	83148	0	989904
DEB23	Bitburg-Pruem	0	0	723570	25875	0	749445
DEB24	Daun	0	0	1258910	0	0	1258910
DEB25	Trier-Saarburg	0	0	850160	25849	0	876009
DEB31	Frankenthal	0	0	0	0	0	0
DEB32	Kaiserslautern	0	0	5302493	27593	0	5330086
DEB33	Landau	0	0	0	27786	0	27786
DEB34	Ludwigshafen am Rhein	0	0	0	47802	0	47802
DEB35	Mainz	0	0	7528000	206667	0	7734667
DEB36	Neustadt/Weinstrasse	0	0	0	22438	0	22438
DEB37	Pirmasens	0	0	216200	50132	0	266332
DEB38	Speyer	0	0	0	21800	0	21800
DEB39	Worms	0	0	64620	55572	0	120192
DEB3A	Zweibrücken	0	0	64620	25157	0	89777
DEB3B	Alzey-Worms	0	0	0	71134	0	71134
DEB3C	Bad-Dürkheim	0	0	1549030	24703	0	1573733
DEB3D	Donnersbergkreis	0	0	840000	23502	0	863502
DEB3E	Germersheim	0	0	61300	42070	0	103370
DEB3F	Kaiserslautern	0	0	126692	68385	0	195077
DEB3G	Kusel	0	0	1393500	40183	0	1433683
DEB3H	Südliche Weinstrasse	0	0	1258950	19850	0	1278800
DEB3I	Rhein-Pfalz-Kreis	0	0	0	0	0	0

DEB3J	Mainz-Bingen	0	0	0	49286	0	49286
DEB3K	Südwestpfalz	0	0	529750	103263	0	633013
DEB	Rhineland-Palatinate^b	0	0	35215709	1746718	0	36962427

^a Include ESF expenditure through the federal ESF programme and the regional programmes.

^b Totals do not correspond to the total sum of funding in this table because some expenditure could not be attributed to NUTS 3 regions (see table 2 in Part I.1.2).

^c Source: Own calculations on the basis of the lists of final beneficiaries provided by regional ministries.

^d The totals in the eighth column and in the last row may not sum up exactly due to roundings.

Annex III

EAGF and EAFRD expenditure in Euro, 2007 and 2008^a

NUTS Code	Name of NUTS 3 region	EAGF 2007 ^b	EAFRD 2007	Total 2007	EAGF 2008 ^b	EAFRD 2008	Total 2008	Total 2007-2008
DE111	Stuttgart	0	134081	134081	880742	2673746	3554488	3688569
DE112	Böblingen	0	2259855	2259855	7309345	2478130	9787475	12047330
DE113	Esslingen	0	1277349	1277349	5310087	2129288	7439375	8716724
DE114	Göppingen	0	2075107	2075107	7083698	3127953	10211651	12286758
DE115	Ludwigsburg	0	1741054	1741054	11550349	2983160	14533509	16274563
DE116	Rems-Murr-Kreis	0	2317265	2317265	9343457	4728998	14072455	16389720
DE117	Heilbronn Stadtkreis	0	227202	227202	1900732	225980	2126711	2353913
DE118	Heilbronn Landkreis	0	3403953	3403953	52793455	5178045	57971500	61375453
DE119	Hohenlohekreis	0	3012454	3012454	12976149	5855797	18831947	21844401
DE11A	Schwäbisch Hall	0	5757398	5757398	25066273	9930876	34997149	40754547
DE11B	Main-Tauber-Kreis	0	197678	197678	758750	241107	999858	1197536
DE11C	Heidenheim	0	1977434	1977434	502783	94328	597111	2574545
DE11D	Ostalbkreis	0	5090470	5090470	17993167	6343026	24336193	29426663
DE121	Baden-Baden	0	155807	155807	294562	190158	484720	640527
DE122	Karlsruhe	0	126993	126993	658142	172418	830560	957553
DE123	Karlsruhe Landkreis	0	3886105	3886105	11812283	4096888	15909171	19795276
DE124	Rastatt	0	1108727	1108727	3763547	1238520	5002067	6110794
DE125	Heidelberg	0	95125	95125	921187	225618	1146805	1241930
DE126	Mannheim	0	176487	176487	2451679	220770	2672450	2848937
DE127	Neckar-Odenwald-Kreis	0	3519135	3519135	14398969	5099585	19498553	23017688
DE128	Rhein-Neckar-Kreis	0	2524018	2524018	15570662	3251371	18822033	21346051
DE129	Pforzheim	0	133267	133267	378894	127612	506506	639773
DE12A	Calw	0	1440843	1440843	4461315	2003857	6465172	7906015
DE12B	Enzkreis	0	1477817	1477817	5112560	2539359	7651919	9129736
DE12C	Freudenstadt	0	1775779	1775779	5119036	3856208	8975244	10751023
DE131	Freiburg	0	355641	355641	1644783	523942	2168726	2524367
DE132	Breisgau-Hochschwarzwald	0	5042222	5042222	16670432	7525188	24195620	29237842
DE133	Emmendingen	0	1776589	1776589	6666682	3255456	9922138	11698727
DE134	Ortenaukreis	0	5340057	5340057	20555343	7326803	27882146	33222203
DE135	Rottweil	0	1960201	1960201	7943796	3466307	11410103	13370304
DE136	Schwarzwald-Baar-Kreis	0	2799817	2799817	9581073	7105178	16686252	19486069
DE137	Tuttlingen	0	2650574	2650574	5409988	4067037	9477025	12127599
DE138	Konstanz	0	2822110	2822110	10472279	4322421	14794699	17616809
DE139	Lörrach	0	3327390	3327390	5132063	3275232	8407295	11734685
DE13A	Waldshut	0	3875703	3875703	10380706	7352872	17733578	21609281

DE141	Reutlingen	0	3504400	3504400	11002652	5653001	16655653	20160053
DE142	Tübingen	0	1702907	1702907	5149220	2203012	7352232	9055139
DE143	Zollernalbkreis	0	3479744	3479744	6976634	5602640	12579274	16059018
DE144	Ulm	0	198980	198980	1764286	336091	2100378	2299358
DE145	Alb-Donau-Kreis	0	4131965	4131965	15877857	4852699	20730556	24862521
DE146	Biberach	0	4515936	4515936	27137133	5436203	32573336	37089272
DE147	Bodenseekreis	0	2602718	2602718	9462679	2923416	12386095	14988813
DE148	Ravensburg	0	6192727	6192727	28915154	8301229	37216382	43409109
DE149	Sigmaringen	0	3269591	3269591	16067193	5778009	21845203	25114794
DE1	Baden-Württemberg	0	105440675	105440675	435221777	158319533	593541310	698981985
DEB11	Koblenz	0	0	0	507447	29125	536572	536572
DEB12	Ahrweiler	0	8759	8759	4093330	689059	4782390	4791149
DEB13	Altenkirchen	0	42354	42354	3719032	528889	4247921	4290275
DEB14	Bad Kreuznach	0	1940	1940	8484507	992630	9477137	9479077
DEB15	Birkenfeld	0	0	0	4381325	457769	4839094	4839094
DEB16	Cochem-Zell	0	0	0	7515663	946817	8462480	8462480
DEB17	Mayen-Koblenz	0	0	0	11046642	617575	11664218	11664218
DEB18	Neuwied	0	10570	10570	4090894	924757	5015651	5026221
DEB19	Rhein-Hunsrück-Kreis	0	0	0	10144603	937045	11081648	11081648
DEB1A	Rhein-Lahn-Kreis	0	115	115	7137252	417877	7555130	7555245
DEB1B	Westerwaldkreis	0	8027	8027	5465301	899000	6364301	6372328
DEB21	Trier	0	0	0	467505	44689	512194	512194
DEB22	Bernkastel-Wittlich	0	0	0	12660811	2681827	15342637	15342637
DEB23	Bitburg-Pruem	0	0	0	23204123	2821834	26025957	26025957
DEB24	Daun	0	44088	44088	6499725	1228100	7727825	7771913
DEB25	Trier-Saarburg	0	0	0	8436431	1515955	9952387	9952387
DEB31	Frankenthal	0	0	0	707814	58843	766657	766657
DEB32	Kaiserslautern	0	0	0	2202066	229934	2432000	2432000
DEB33	Landau	0	0	0	594387	188772	783159	783159
DEB34	Ludwigshafen a. R.	0	0	0	505443	0	505443	505443
DEB35	Mainz	0	6631	6631	1591326	2690324	4281651	4288282
DEB36	Neustadt/Weinstrasse	0	0	0	504301	349612	853914	853914
DEB37	Pirmasens	0	0	0	285859	11838	297697	297697
DEB38	Speyer	0	0	0	175372	5640	181012	181012
DEB39	Worms	0	0	0	1912197	195323	2107520	2107520
DEB3A	Zweibrücken	0	0	0	938048	85327	1023375	1023375
DEB3B	Alzey-Worms	0	0	0	14074033	1169008	15243041	15243041
DEB3C	Bad-Dürkheim	0	0	0	4614566	1770710	6385277	6385277
DEB3D	Donnersbergkreis	0	0	0	9284112	356962	9641073	9641073
DEB3E	Germersheim	0	0	0	10538618	211009	10749627	10749627
DEB3F	Kaiserslautern	0	0	0	2406926	232806	2639732	2639732
DEB3G	Kusel	0	8935	8935	6458779	978833	7437611	7446546
DEB3H	Südliche Weinstrasse	0	0	0	8674801	2140739	10815540	10815540
DEB3I	Rhein-Pfalz-Kreis	0	0	0	8984911	48137	9033048	9033048
DEB3J	Mainz-Bingen	0	0	0	10966209	1111135	12077345	12077345
DEB3K	Südwestpfalz	0	0	0	5442628	465270	5907898	5907898
DEB	Rhineland-Palatinate	0	131418	131418	208716989	28033172	236750162	236881581

^a Source: Own calculations on the basis of the lists of final beneficiaries provided by the *Bundesanstalt für Landwirtschaft und Ernährung*. The totals in the eighth column and in the last row may not sum up exactly due to roundings.

^b Include direct payments and other market measures such as price support financed through the EAGF under the 'first pillar' of the CAP.

Annex IV

LIFE expenditure in Euro, 2007 and 2008^a

NUTS Code	Name of NUTS 3 region	1994-1999	2000-2006	since 2007	Total 2000-2010
DE111	Stuttgart	1295387	1875866	4314257	6190123
DE112	Böblingen	0	0	0	0
DE113	Esslingen	0	0	0	0
DE114	Göppingen	0	0	0	0
DE115	Ludwigsburg	0	152669	0	152669
DE116	Rems-Murr-Kreis	0	0	0	0
DE117	Heilbronn Stadtkreis	0	0	0	0
DE118	Heilbronn Landkreis	0	0	0	0
DE119	Hohenlohekreis	0	0	0	0
DE11A	Schwäbisch Hall	0	0	0	0
DE11B	Main-Tauber-Kreis	0	0	0	0
DE11C	Heidenheim	0	0	0	0
DE11D	Ostalbkreis	417684	0	0	0
DE121	Baden-Baden	0	0	0	0
DE122	Karlsruhe	0	8144609	0	8144609
DE123	Karlsruhe Landkreis	0	0	0	0
DE124	Rastatt	0	0	0	0
DE125	Heidelberg	0	0	0	0
DE126	Mannheim	0	0	0	0
DE127	Neckar-Odenwald-Kreis	0	0	0	0
DE128	Rhein-Neckar-Kreis	0	0	0	0
DE129	Pforzheim	0	0	0	0
DE12A	Calw	0	0	0	0
DE12B	Enzkreis	0	0	0	0
DE12C	Freudenstadt	0	0	0	0
DE131	Freiburg	2557000	1864492	0	1864492
DE132	Breisgau-Hochschwarzwald	0	0	0	0
DE133	Emmendingen	0	0	0	0
DE134	Ortenaukreis	0	1344939	1695375	3040314
DE135	Rottweil	0	0	0	0
DE136	Schwarzwald-Baar-Kreis	0	0	0	0
DE137	Tuttlingen	0	0	0	0
DE138	Konstanz	465650	870374	0	870374
DE139	Lörrach	0	0	0	0
DE13A	Waldshut	0	0	0	0
DE141	Reutlingen	0	0	0	0
DE142	Tübingen	1662142	0	1304960	1304960
DE143	Zollernalbkreis	639563	0	0	0
DE144	Ulm	0	0	0	0
DE145	Alb-Donau-Kreis	0	0	0	0
DE146	Biberach	0	0	0	0
DE147	Bodenseekreis	0	0	0	0
DE148	Ravensburg	0	0	0	0
DE149	Sigmaringen	0	694110	0	694110
DE1	Baden-Württemberg	7037426	14947059	7314592	22261651
DEB11	Koblenz	0	92833	0	92833

DEB12	Ahrweiler	0	0	0	0
DEB13	Altenkirchen	0	0	0	0
DEB14	Bad Kreuznach	0	0	0	0
DEB15	Birkenfeld	0	0	0	0
DEB16	Cochem-Zell	0	0	0	0
DEB17	Mayen-Koblenz	0	1061210	0	1061210
DEB18	Neuwied	0	0	0	0
DEB19	Rhein-Hunsrück-Kreis	0	0	0	0
DEB1A	Rhein-Lahn-Kreis	0	0	0	0
DEB1B	Westerwaldkreis	0	0	0	0
DEB21	Trier	0	0	0	0
DEB22	Bernkastel-Wittlich	0	0	0	0
DEB23	Bitburg-Pruem	0	0	0	0
DEB24	Daun	0	0	0	0
DEB25	Trier-Saarburg	0	0	0	0
DEB31	Frankenthal	0	0	0	0
DEB32	Kaiserslautern	0	0	0	0
DEB33	Landau	0	0	0	0
DEB34	Ludwigshafen a. R.	0	0	0	0
DEB35	Mainz	0	979661	875926	1855587
DEB36	Neustadt/Weinstrasse	0	0	0	0
DEB37	Pirmasens	0	0	0	0
DEB38	Speyer	0	390042	0	390042
DEB39	Worms	0	0	0	0
DEB3A	Zweibrücken	0	0	0	0
DEB3B	Alzey-Worms	0	0	0	0
DEB3C	Bad-Dürkheim	0	0	0	0
DEB3D	Donnersbergkreis	0	0	0	0
DEB3E	Germersheim	0	0	0	0
DEB3F	Kaiserslautern	0	0	0	0
DEB3G	Kusel	0	0	0	0
DEB3H	Südliche Weinstrasse	0	0	0	0
DEB3I	Rhein-Pfalz-Kreis	0	0	0	0
DEB3J	Mainz-Bingen	0	0	0	0
DEB3K	Südwestpfalz	0	0	0	0
DEB	Rhineland-Palatinate	0	2523746	875926	3399672

³ Source: Own calculations on the basis of the lists of projects provided by DG Environment on the online database of LIFE projects. The totals in the eighth column and in the last row may not sum up exactly due to roundings.



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