

## EUROPEAN TRANSFERS: EVALUATION AND CONSEQUENCES

**Trón, Zsuzsanna**

*Faculty of Economics and Business Administration,  
University of Debrecen, Hungary*

**Láng, Eszter**

*Faculty of Economics and Business Administration,  
University of Debrecen, Hungary*

*The paper is an evaluation of EU regional policy. We evaluate the institutions related to regional development in the EU-15 with the help of those guiding principles established by the EU to guarantee the most effective realisation of the common regional policy. Those principles are decentralisation, additionality, programming, partnership, efficiency (absorption capacity), and transparency. The study draws a clear picture of the northern - southern differences among the European countries. Nordic countries (together with The Netherlands) consistently show the best results. They are socially richer, seem more equal, enjoy lower levels of corruption, good governance and a high quality of democracy.*

*Key words: EU regional policy, transfers, evaluation*

*JEL code: F15, R58*

In order to evaluate the institutions related to regional development in the EU-15, we must find appropriate criteria for judgement. The best choice would be those guiding principles established by the EU<sup>78</sup> to guarantee the most effective realisation of the common regional policy. To complement this it would be a good idea to examine the effects of Europeanization, which also indicate the adaptation to changes.

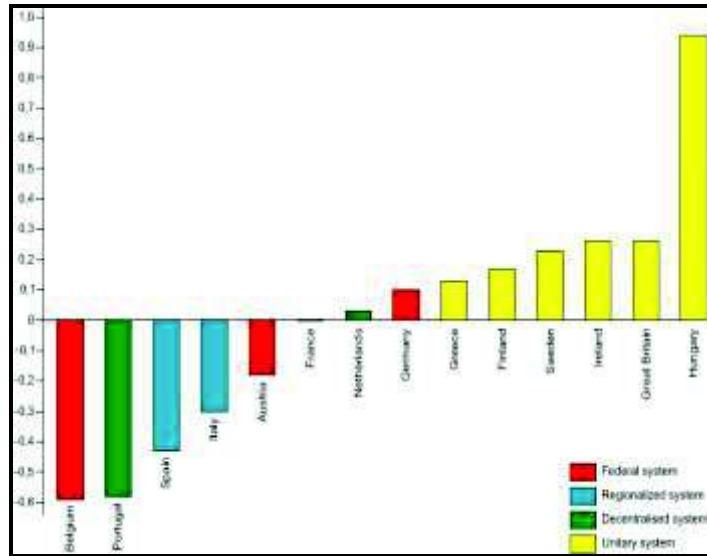
An examination of *decentralisation* shows that the more space a country allows for its provinces (see federalised states), or regions (regionalised, decentralised states), the less it has to struggle with problems caused by regional differences. This is illustrated by Fig. 1, which shows changes in regional variation as a function of types of state. The so-called unitary, or strong central government member states, are much less able to deal successfully with differences within countries (*Horváth 2004*).

An important precondition of the efficient use of supports is that the transfers help the growth of private investment rather than crowding it out. If we consider capital investment made by regional and local authorities as a proportion of total government investment (Fig. 2.), then we can also see that Greece has the most centralised system, while in Belgium 80-90% of investments are coordinated at a regional or local level. The basic principle of *additionality*, as described in the case of programmes supported in the Objective 1. framework, is that member states agree with Brussels beforehand on the level of nationally provided common finance, which in general should not be lower than that achieved in the period preceding the supports. The external examinations carried out after the 1994-99 and the 2000-2006 periods showed that this was not achieved everywhere (*EC 2004:100*). The performance of The Netherlands and Sweden was, however, outstanding. *Midelfart-Knarvik and Overman (2002)* however, show that there is clear evidence from the supports directed to the processing industry that a higher level of EU support is accompanied by lower state support, while a lower level attracts a higher level of state support.

---

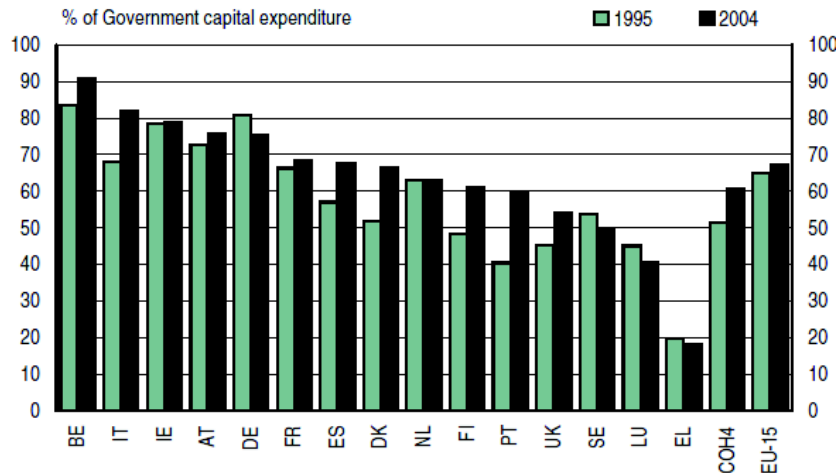
<sup>78</sup> These are decentralisation, additionality, programming, partnership, efficiency (absorption capacity), transparency.

**Fig. 1.: Changes in regional differences between most and least developed regions**



Source: Horváth (2004)

**Fig. 2.: Capital expenditure by regional and local authorities (1995-2004)**



Source: EC (2007:147)

In the analysis of the following basic principles the informal institutional system of the member states is compared with various indicators of regional policy. These include the effectiveness of *programming* and the absorption capacity which can be measured against the quality of state regulation according to the World Bank's Government Effectiveness Index<sup>79</sup>. These indicators show very well the advantage enjoyed by Scandinavian nations over Mediterranean nations; the highest values are found in Denmark, Finland, Sweden and Holland, while the list is closed by Italy and Greece. Other studies (eg. *Van de Walle 2005*) comes to the same conclusions. Limiting their examination to the institutions of the social systems *Bakács and Borkó (2006)* establish a ranking for the competitiveness of the Scandinavian and Mediterranean models, compared to the

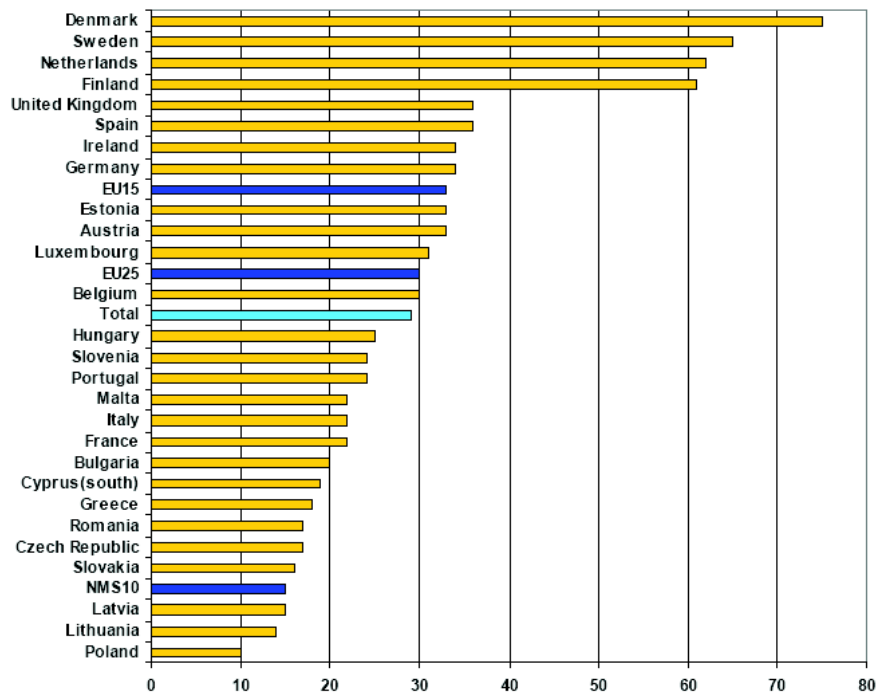
<sup>79</sup> This index gives a numerical value for bureaucratic expertise and the quality of public services, based on data collected from 30 separate databases by the Worldwide Governance Indicators project.

Continental and Anglo-Saxon models, and here the Scandinavian model is first and the Mediterranean model last (for the bureaucracy and the political clientism of the southern states see *Sotiropoulos 2004*).

According to the concept of *partnership* expressed in the EU's decrees, one of the keys to the efficient and transparent use of supports is that during the planning stage the interests of local, regional, sectoral and social groups should be taken into account to the maximum extent, because on this basis the various actors will be able to claim and use the sources available. In the context of the principle of partnership in the process of social agreement an important role is also played by communication and by the publication of the details of the structural funds.

The question arises, however, whether the relationships are built on the basis on the Putnam style mutual offers of help and mutually shared information, or whether the groupings are formed in the Olson style, based on bonds formed to represent group interests, rent-seeking behaviour and lobby interests. From this perspective we can also examine the general levels of social trust and the corruption indexes in the old EU member states. In the *LSE PS's (2007)* study on social capital a ranking was established with Scandinavian-Mediterranean poles at each end of the scale (Fig. 3.), to show the results obtained from the Special Eurobarometer questionnaire. The results are similar as mentioned above.

**Fig. 3.: Generalised (social) trust in international comparison**

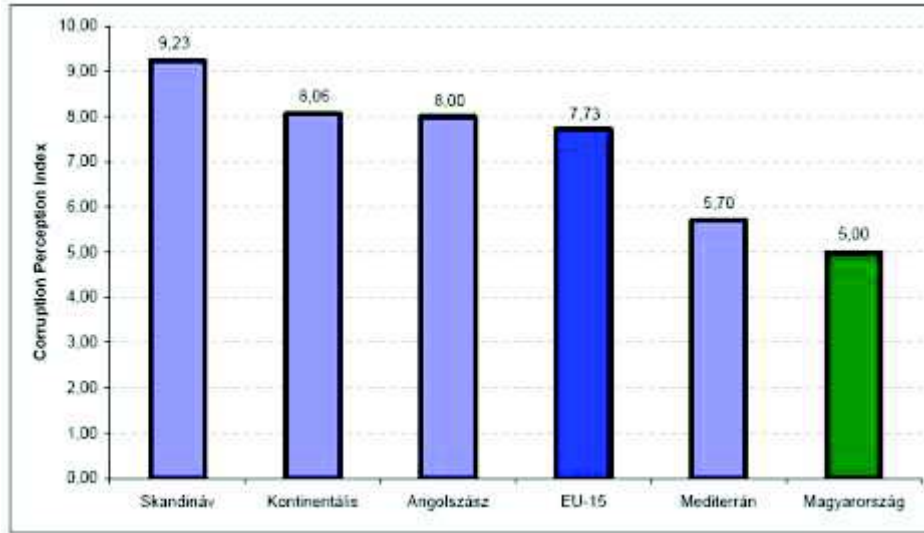


Source: *LSE PS (2007:14)*

The appearance of corruption can also be compared using the World Bank's Worldwide Governance Indicator which examines to what extent the public sector uses its power to achieve personal ends, and here the higher values represent the cleaner, less corrupt countries (Fig. 4.). Finally, we demonstrate the negative relationship between the inequality within countries and the level of trust between individuals, (Fig. 5.), where, once again, the Scandinavian communities stand out.

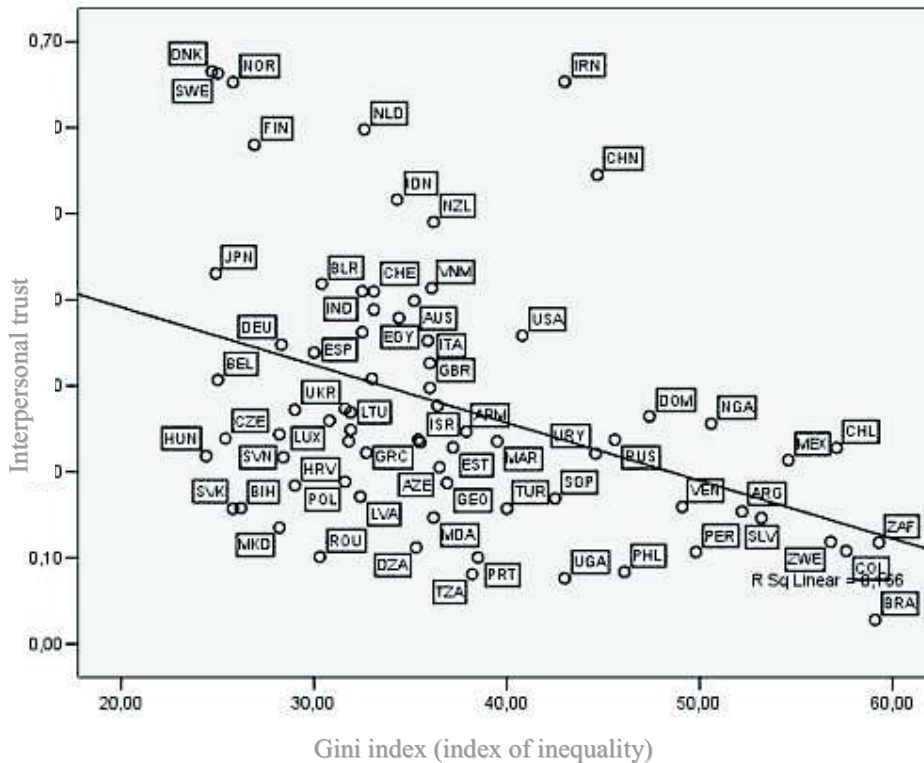
As we can see, Nordic countries (together with The Netherlands) consistently show the best results. They are socially richer, seem more equal, enjoy lower levels of corruption, good governance and a high quality of democracy.

**Fig. 4.: Levels of corruption in different models (2005)**



Note: 10 – no corruption, 0 – high corruption; so the lower the index value the higher the level of corruption. Source: Bakács – Borkó (2006:17) on the basis of the Transparency International CPI (Corruption Perception Indices).

**Fig. 5.: Trust and inequality**



Source: LSE PS (2007:76)

The question arises whether the high level of social capital generally produces these positive factors and thus the more efficient use of supports, or whether the Scandinavians only appear as

exceptions, which means that a high level of social capital is so closely linked to Nordic culture that it cannot be copied and repeated elsewhere. *The question then, is whether there exists a Nordic model which can be copied as good practice, or whether this phenomenon is linked to Nordic culture, which is historically determined and thus is unlikely to be easily transferred to others.*

It is difficult to deny the more pessimistic version. According to *Putnam et al (2003)* social capital changes relatively slowly and it is difficult to change it with concrete political measures, although attempts have been made (see *TÁRKI 2005*). On the other hand, by examining culture we can arrive at an understanding of the present state of institutions, and of the practical activities carried out and it is evident that here too changes are occurring; it is enough to refer here to the processes and changes of Europeanization in the new member states. From this perspective it seems that at least something can be learned from the Nordic experience, for example, how the links between the civil sphere and the state are institutionalised and how they take shape in concrete development tasks to maximise the effects of good government; and how society takes part in the day to day business of formulating special policy and government.

In any case it is necessary to conduct a deeper analysis into how it is possible that those who are the least needy can use the development funds most efficiently, while those who are in real need do not fulfil the preconditions for efficiency.

## References

1. Bakács András – Borkó Tamás (2006): Az állami szerepvállalás európai modelljei. Iceg, Munkafüzet 13.
2. EC (2004): EU Economy 2004 Review, Chapter 2: Catching-up, Growth and Convergence of the New Member States. DG Economy and Finance, [http://ec.europa.eu/economy\\_finance/publications/european\\_economy/2004/ee604fullreport\\_en.pdf](http://ec.europa.eu/economy_finance/publications/european_economy/2004/ee604fullreport_en.pdf)
3. EC (2007): Growing Regions, growing Europe. Fourth report on economic and social cohesion. Az Európai Unió Bizottsága, Brüsszel. [http://europa.eu.int/comm/regional\\_policy/sources/docoffic/official/reports/cohesion4\\_en.htm](http://europa.eu.int/comm/regional_policy/sources/docoffic/official/reports/cohesion4_en.htm). Accessed: 2007. 05. 31.
4. Horváth Gyula (2004): Európai regionális politika. Dialóg Campus, Budapest-Pécs.
5. LSE PS (2007): Social Cohesion, Trust and Participation: Social Capital, Social Policy and Social Cohesion in the European Union and Candidate Countries. Monitoring Report, European Observatory on the Social Situation - Social Capital Network, London School of Economics and Political Science. [http://ec.europa.eu/employment\\_social/spsi/docs/social\\_situation/2007\\_mon\\_rep\\_soc\\_cap.pdf](http://ec.europa.eu/employment_social/spsi/docs/social_situation/2007_mon_rep_soc_cap.pdf). Accessed: 2008.04.20.
6. Midelfart-Knarvik, Karen Helene – Overman, Henry G. (2002): Delocation and European Integration: is Structural Spending Justified? *Economic Policy*, Vol. 35. okt. 323-359.
7. Putnam, Robert D. – Leonardi, Robert – Nanetti, Raffaella Y. (1993): *Making Democracy Work: Civic Traditions in Modern Italy*. Princeton University Press, Princeton.
8. Sotiropoulos, Dimitri A. (2004): Democratization, Administrative Reform and the State in Greece, Italy, Portugal and Spain: Is There a 'model' of South European Bureaucracy? Hellenic Observatory Discussion Paper No17, Hellenic Observatory, LSE. <http://www.lse.ac.uk/collections/hellenicObservatory/pdf/DiscussionPapers/Sotiropoulos17.pdf>. Accessed: 2008.04.09.
9. Tárki (2005): A társadalmi tőke növelésének lehetőségei fejlesztéspolitikai eszközökkel. <http://www.tarki.hu/adatbank-h/kutjel/pdf/a768.pdf>. Accessed: 2006. 02. 23.
10. Van de Walle, Steven (2005): *Measuring Bureaucratic Quality in Governance Indicators*. Study Group on Productivity and Quality in the Public Sector, Bern. <http://soc.kuleuven.be/io/egpa/qual/bern/Vandewalle.pdf>. Accessed: 2008. 04. 20.