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NEWGOV
New Modes of Governance

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Summary

In the framework of the NEWGOV Integrated Project the research team of the Institute for World Economics of the Hungarian Academy of Sciences has been detecting and analyzing the emergence and evolution of new modes of governance (NMG) under the European Union cohesion/structural policy in the eight new Central European member states. In parallel of the country studies a review on the emergence, evolution and evaluation of the phenomenon of NMG within this policy field at the Community level has also been elaborated. The major findings of the analytical work can be found in the working paper written by Kálmán Dezséri and Krisztina Vida, senior research fellows of the Institute (Working Paper D48).

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NEWGOV – New Modes of Governance

1. Background

In the framework of the NEWGOV Integrated Project the research team of the Institute for World Economics of the Hungarian Academy of Sciences has been detecting and analyzing the emergence and evolution of new modes of governance (NMG) under the European Union cohesion/structural policy in the eight new Central European member states. In parallel of the country studies a review on the emergence, evolution and evaluation of the phenomenon of NMG within this policy field at the Community level has also been elaborated. The major findings of the analytical work can be found in the working paper written by Kálmán Dezséri and Krisztina Vida, senior research fellows of the Institute (Working Paper D48).

2. Aim of the research

The aim of the research was to describe the modes of governance of cohesion policy at both the European and the new member states’ level and, to identify the existence of new (or alternative) modes of governance within this policy’s design and implementation. After having detected the emergence and evolution of elements of NMG the research team focused on the role such NMG can play – in other words tried to do some evaluation of NMG as part of cohesion policy governance.

3. Methodology and terminology

The field of research was European cohesion policy – in the sense of the Single European Act’s terminology. As a synonym to the term cohesion policy structural (or regional) policy has also been used. In terms of financial resources it was primarily identified with the policy actions under the Structural Funds, and only to a more restrictive extent with the functioning of the Cohesion Fund. As regards cohesion/structural policy at the Community level, research on modes of governance was primarily done via CELEX and EUR-LEX database, as well as via secondary literature. Regarding the new member states, the team relied on basic laws and regulations of the eight countries, as well as on further relevant documents. In the broad sense, the research team understood the term new modes of governance as “the range of innovations and transformations that have been and continue to occur in the instruments, methods, modes and systems of governance in contemporary polities and economies” – within the EU and its member states. In a narrower sense NMG within cohesion policy was understood as a new approach to the “old” governance mode characterized by hierarchy, management from the centre, exclusively using binding instruments. The most typical element of NMG in this framework is represented by the partnership principle, pushing the member states’ public administrations to regularly engage in an interactive dialogue and cooperation with both the regional and local levels and with the civil/private sphere, the NGOs and other stakeholders. This should lead to a multi-level and multi-actor type of governance – a phenomenon initiated by the EU level, but implemented with very different degrees of commitment at the national level.

The term “new modes of governance” is a further distinction emphasising that the novelty in contrast to traditional modes of governance is in being “softer and less procedural in terms of regulations and sanctions, more informal in decision-making and implementation, more flexible in implementation and more cooperative (between public and private actors) in policy-making and policy implementation.”

Based on the above definitions we can evoke the following as new modes of governance in cohesion policy. Allowing – upon Treaty base and through traditional instruments, such as
EU-level regulations and Commission decisions, as well as national level laws and regulations – a wide range of actors traditionally outside of the official mechanisms to take part in decision preparations, decision-making, financing, implementation and monitoring of cohesion policy. More concretely: stimulating regional/local, private and civil participation in preparatory, decision-making and monitoring bodies; encouraging public meetings and consultations, twinnings, the exchange of best practices, support for public-private partnership (PPP) schemes, reinforcing lobbying activities and giving preference for independent monitoring by civil society actors, etc.

4. Major findings regarding the EU level

As a result of the research it can be stated that in the case of cohesion policy new (or alternative) modes of governance emerged and evolved at the Community level because of three reasons:

- There was a tension between the member states wanting to act at Community level but showing reluctance to cede sovereignty. Thus, new modes could serve as a learning path before making more decisive steps towards deepening: this was the case in the pre-1987 period.

- After cohesion policy became a common, Treaty-based policy, in its implementation more efficiency was needed. Efficiency is crucial given that the European taxpayers’ money is at stake. Implementation of cohesion policy can be more efficient if all the potential beneficiaries have a say in the process – this is why the partnership principle was introduced and reinforced.

- After cohesion policy became a common, Treaty-based policy, in its implementation more democracy, legitimacy and transparency was needed. Actually, partnership complies with these principles – this is why there is an ever increasing pressure from the partners involved to respect and reinforce this principle at the EU level as well as at the national level.

5. Major findings regarding the new member states’ level

5.1. Framework conditions for Emergence

- Haunting centralization: The new member states have all inherited a centralized and unitary type public administration and governance system from the past which has been a handicap when implementing a region-centred Community policy.

- The age of statehood matters: Those countries which became sovereign or regained sovereignty after 1989 had an advantage of building up national institutions from scratch. Those countries with a legal continuity were facing more problems given the old vested interests of the actors in the public administration accompanied by inter-ministerial rivalries.

5.2. Framework conditions for Evolution

- The state as a ‘gate-keeper’: The central/key position of the state remains practically unchallenged in the framework of cohesion policy.

- EU-conformity pressure: The new member states have continuously been making efforts to reach high level legal, procedural and institutional conformity with relevant EU rules of cohesion policy.
- **Defensive over-bureaucratisation:** With the aim to avoid any procedural mistakes when receiving EU money, some new member states initially introduced highly complex mechanisms into the tendering/application and Funds’ management system, leading to unnecessary over-bureaucratisation.

- **EU-conformity versus NMG?** Reaching “literal” EU-conformity seemed so far to enjoy higher priority than introducing NMG (even if this is encouraged by the EU itself).

- **Instability and complexity of the institutional framework:** The institutional models related to the Structural Funds and the Cohesion Fund differ from country to country, and even within one country the institutional framework is exposed to changes (e.g. after change of governments, or as a result of trial and error experience). In most countries the institutional set up responsible for programming, implementation and monitoring is highly complex, lacking transparency. All this puts a break on efficient use of the Funds.

- **Moving target – ongoing regionalization:** Besides institutional capacity-building, most of new member states have also engaged in the process of regionalization and eventual devolution. The first step was the delimitation of the NUTS-2 regions, but even this has not come to a definitive end yet. The second step in some new member states is the potential devolution of power to the newly created regions – requiring even longer time (accompanied by political debates).

5.3. **Framework conditions for Evaluation**

- **Initial weaknesses in partnership:** In the midst of institutional capacity-building coupled with unfolding public administration reform and under the time pressure for delivering the first National Development Plans to the European Commission, most new member states did not really comply with the partnership principle. In such a context recourse to any kind of NMG has so far rather been sporadic. The other side of the coin is that the potential partners seem in many cases to lack the necessary information, as well as the capacity to play the role of a competent partner in the whole process of national/regional development.

- **Slow gradualism:** Despite the initial weaknesses however, there are clear signs that in most new member states the introduction of the partnership principle – as an obvious element of NMG in our interpretation – could gradually be reinforced as a result of both supranational and subnational pressures. This process is accompanied by an increasing willingness of the public administrations to open up and by an increasing awareness of the partners concerned.

6. **Conclusions**

As a conclusion it must be underlined that existence of new modes of governance within cohesion policy does neither compete with nor substitute to the classical modes. The elements of new modes rather complement the traditional modes by providing for both a learning path before ceding sovereignty to the EU level (see the pre-1987 period when cohesion policy was run through weak Community competences and decentralized payment mechanisms) and for more efficiency, transparency and legitimacy after having ceded sovereignty (see the unfolding multi-level and multi-actor type European governance method through the partnership principle).

Thus, within cohesion policy NMG is mainly present in the form of partnership whereby the EU pushes the member governments to open up their public administrations and to include
into the processes of decision-making, implementation and monitoring a range of stake-
holders. At the new member states level however – given the conditions explained under
point 5 – the emergence of new governance modes is still sporadic, its evolution is weak.
Therefore it is too early to embark on a definitive evaluation, since there are still shortcom-
ings regarding both, the willingness of the central public administrations and the capacities of
the potential partners in the new member states.

7. Recommendations
Regarding the future, the EU level decision-makers should be taking into account the follow-
ing aspects:
- Engaging in a thorough simplification of the Structural Funds’ system for the sake of
greater efficiency and transparency;
- Promoting the setting up of simpler structures and processes at the member states level
too;
- Promoting the lessening of bureaucracy in the tendering/application regulation as well as
the Funds’ management system at the member states level through a European framework
legislation based on best practices;
- Putting emphasis on institutional and financial transparency at the member states level
through tighter control;
- Reinforcing partnership: further increasing the role of the regional/local authorities of the
member states;
- Differentiated approach to partnership by giving priority to democratically elected bodies
as well as to non-profit organizations as opposed to pure private interests;
- Reinforcing accountability of the member states as regards the execution of the partner-
ship principle as a key element of the cohesion policy acquis;
- Promoting exchange of best practices of execution among the member states, with special
regard to the cohesion countries;
- Making a better use of the Committee of the Regions as regards any further developments,
including the above mentioned points.