

**THE MANAGEMENT AND IMPACT OF EU COHESION POLICY –
LESSONS FROM MEMBER STATES – THE CASE OF SPAIN**by **Mario Kölling**

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I. INTRODUCTION

Despite the deep crisis that has hit Spain during the past five years; the 1986-2014 period of Spain's membership in the EU has undoubtedly been the most politically stable, socially dynamic and economically successful in Spain's contemporary history. The EU Cohesion Policy played in this successful story an important role. Spain can be regarded as an outstanding case study for an analysis of the impact of cohesion policy on economic growth and administrative reforms. The Kingdom not only determined the introduction of this policy and further contributed to its successive reforms, but it is also the country that most benefited from it since accession in 1986. As one of the so-called 'Cohesion countries' characterized by most NUTS2 regions with a GDP per capita below 75% of the EU average, Spain has enjoyed substantial net inflows of resources from this policy over several financial perspectives.

The receipt of abundant EU funds has helped to modernize Spain's productive structure and to reduce the development gap between the country and other member states, as well as, between its territories. The financial resources coming from Brussels also represented for the Autonomous Communities (ACs) over past years a secure income for their budgets. Nevertheless not all ACs received the same amount of EU resources nor performed in the same way. During the economic crisis, when major fiscal consolidation is taking place through cutting public expenditure, the EU cohesion policy has prevented sharp reductions in investment in various policy areas (Lopez-Rodriguez; Faiña, 2010). Moreover Cohesion Policy has determined the mobilization of the ACs and how they developed mechanisms of participating at the European level. In this sense besides the activities related to promote cultural or political objectives based on specific regional identities or autonomy demands, the mobilisation of sub-national governments at the EU level has been primarily motivated by the interest to influence EU policy with the prospect of accessing or defending funding opportunities.

The Spanish public opinion has been traditionally very positive towards the European integration. Although indicators for public confidence in the EU are currently at their lowest point since accession, there has been no party with a Eurosceptic position established and after thirty years of membership the pro-European consensus among the main political parties can still be confirmed.

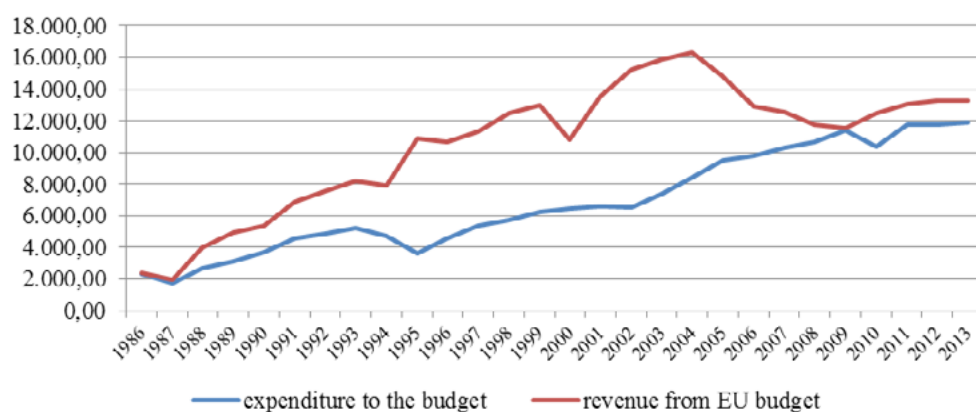
II. SPAIN AND THE EU COHESION POLICY*II.1. Financial relations*

Spain did not only determine the introduction of the cohesion policy and further contributed to its successive reforms, but it is also the state that most benefited from it throughout the years. (Morata 2008) Spain was the single largest beneficiary of the structural actions budget between 1989 and 2006. In the 2000-2006 period the allocation was around €60 billion (in 2004 prices), accounting for almost 27% of total commitment appropriations of this budget heading across the EU15. Spain was also in the financial period 2007-2013, after Poland, the second largest beneficiary of the

cohesion policy. Over this period, Spain has received more than €35 billion in total; €26.2 billion under the Convergence objective (€3.5 billion from the Cohesion Fund), €8.5 billion under the Regional Competitiveness and Employment objective and €559 million under the European Territorial Cooperation objective.

Nevertheless Spain's role in the EU cohesion policy has changed significantly in recent years. Of the eleven ACs that in the period 2000-2006 were Objective 1 regions, only four¹ had an equivalent treatment as convergence regions in the period 2007-2013. This positive trend is on the one hand related to Spanish economic development between 1998 and 2007, but on the other hand it is also conditioned by the "statistical effect" of EU enlargement in 2004 when the average EU GDP decreased due to the accession of the new member states.

Figure I: Net balance of Spain with the EU Budget (billions of Euro)



Source: own elaboration

The impact of cohesion policy in a range of thematic areas has been substantial. Although interpretations of the scope and characteristics of this impact vary, there is no debate on the fact that the structural funds received by Spain had an important macroeconomic effect on the country since 1989. According to different studies,² the Fund for Regional Development and the Cohesion Fund contributed to the economy the equivalent of 0,65 % gross domestic product (GDP) annual growth for each year during 1989-1993, 1.17 % per year for the period 1994-1999 and 1.05% during 2000-2006. The resources coming from the cohesion policy were not only important to modernise the infrastructure but an additional 7,500 jobs were created or safeguarded as a result of the Structural Funds (Sosvilla-Rivero, et al. 2011). As a result, since 1995 Spain has narrowed the gap with the rest of the EU in terms of GDP, moving from 92% to reach 106.8% of the Union average GDP per head in 2007. Moreover cohesion policy has had a dual impact on the themes of environmental protection and sustainable development.

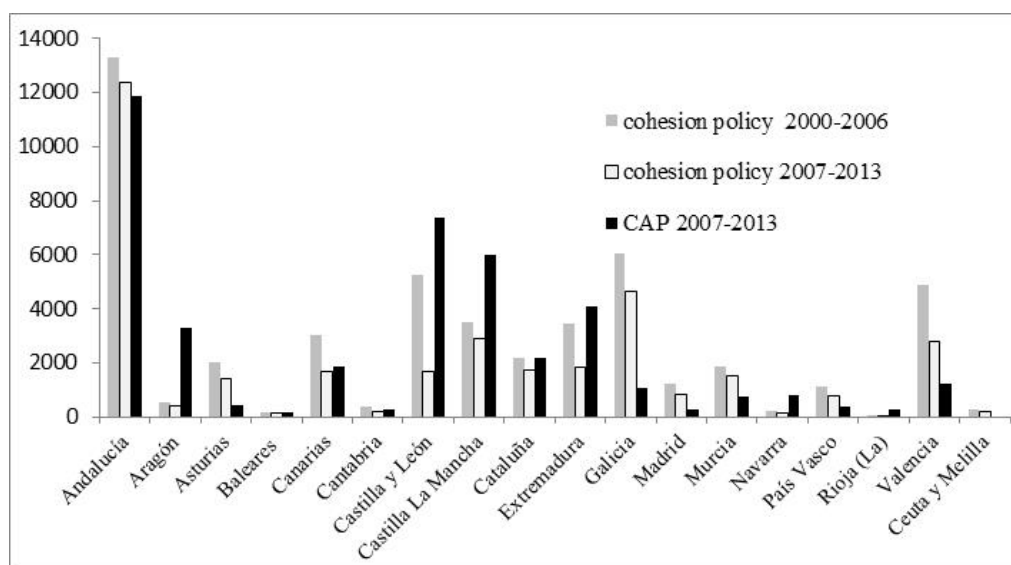
The national 'catching up' process continued until 2007. The situation changed with the onset of the global financial crisis and since then disparities between regions are growing reversing the convergence trends seen in the early/mid-2000s. The unemployment rate in Spain averaged 16% from 1976 until 2014, reaching an all time high of 27% in the first quarter of 2013 and a record low of 4.5% in the third quarter of 1976.

1. Andalucía, Castilla-La Mancha, Extremadura y Galicia

2. See: (Sosvilla-Rivero, et al 2010) (Sosvilla-Rivero, Herce 2004) (Villaverde, Maza 2009)

Although there is traditionally a north-south divide in Spain's regional development, disparities are more important between metropolitan and urban areas compared to rural, sparsely populated areas. The most dynamic areas are metropolitan areas, e.g. Madrid and Barcelona, whereas several ACs face particular challenges. Such ACs include mountainous and sparsely populated areas, industrial structural adjustment areas, island and outermost regions. In addition, the ACs in the south and on the Mediterranean coast have been most affected by the 2008-2012 crisis and particularly by the fallout from the bursting of the housing bubble.

Figure II: Financial Resources of the Cohesion Policy (2000-2006 and 2007-2013) and CAP (2007-2013) received by the ACs in millions of EUR.



Source: own elaboration

Before the start of the MFF 2014-2020 negotiations it seemed very likely that Spain would become a net contributor to the EU budget, though it was one of the countries most affected by the economic and financial crisis. During the final negotiation of the MFF 2014-2020 the outcome improved the expectations of negotiators and analysts. According to estimations by the European Commission, Spain will receive the equivalent of 0.20% of GDP from the community budget until 2020, taking into account the growth forecasts for Spain, that figure could be around € 15.0 billion. In the MFF 2014-2020 only one region is considered as a less developed region, Extremadura, which will receive approximately € 2 billion of funding from structural funds. The Spanish “transition regions”³ will receive approximately € 13.5 billion of funding from structural funds, while the more-developed regions⁴ will receive approximately € 11 billion of funding. Moreover within the total envelop of € 28.6 billion of cohesion policy funding there is:

- € 643 million for European Territorial Cooperation
- € 484.1 million special allocation for the outermost regions
- € 943.5 million for the Youth Employment Initiative.

3. Andalucía, Canarias, Castilla-La Mancha, Melilla and Murcia

4. Aragón, Asturias, Baleares, Cantabria, Castilla y León, Cataluña, Ceuta, Comunidad Valenciana, Galicia, La Rioja, Madrid, Navarra, País Vasco

The Spanish regions particularly affected by the economic crisis are receiving additional funding – €500 million for Extremadura, €624 million for the Spanish transition regions and €700 million for the remaining regions. Furthermore there is a specific treatment within the cohesion policy for the Canary Islands as an ultra-peripheral region and for Ceuta and Melilla as remote border towns. Regions exceeding the average unemployment rate of all the EU less developed/transition regions will receive an additional €1,300 (less developed regions) and €1,100 (transition regions) per unemployed person (above the average) per year.

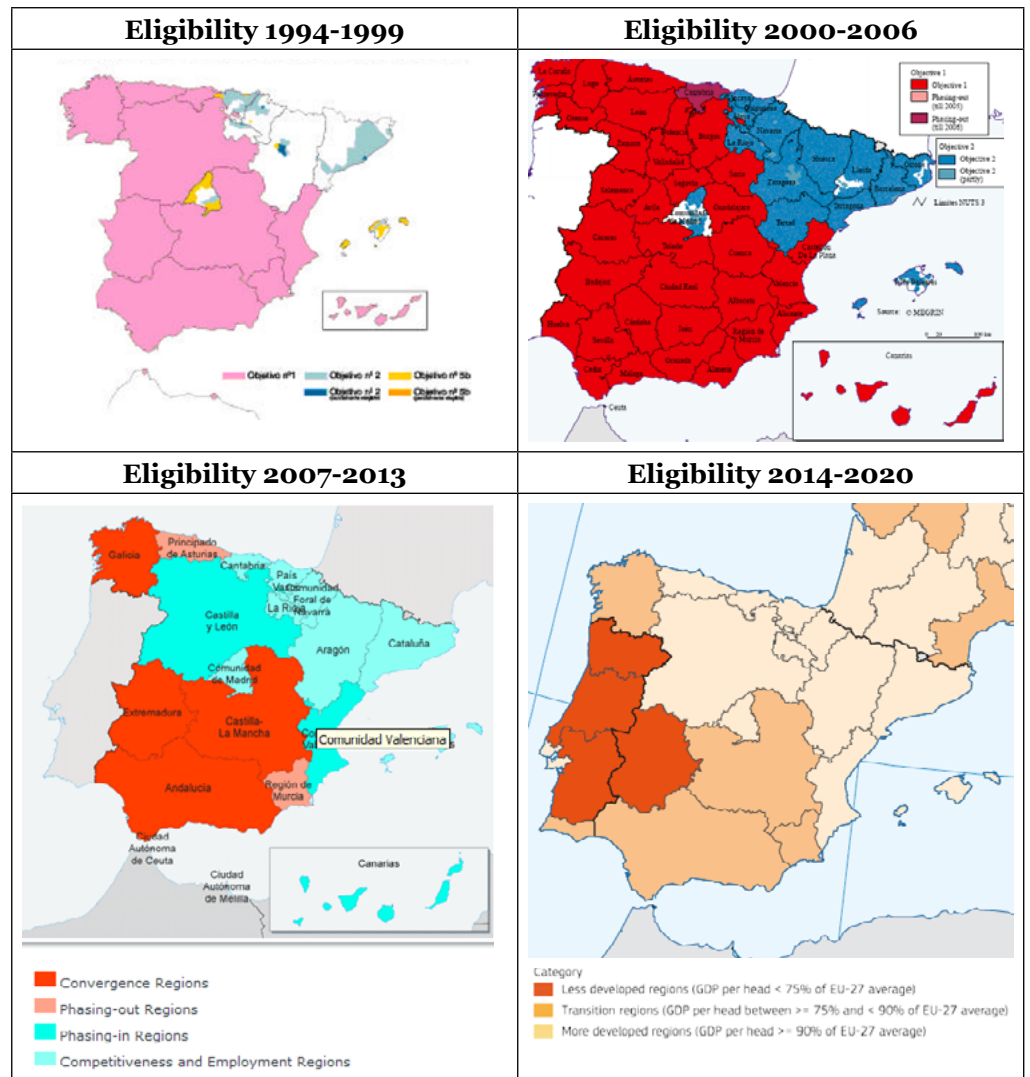
II.2. Autonomous Communities

The financial resources coming from Brussels represented especially for the Autonomous Communities (ACs) an important income which gave them some independence from central government allocations. Moreover during the nineties cohesion policy determined the mobilization of the ACs and how they developed mechanisms of participating at the European level. The “window of opportunity offered by the cohesion policy” was utilised by all the ACs and not only by those with a strong regional (national) identity (Morata, Popartan 2008). The Spanish government traditionally favoured programmes with a national focus, like the Cohesion Fund and the new initiative against youth unemployment.

During the first programming periods (1989-93) the process of programming of the Structural Funds was considered to be rather technocratic and centralizing. (Morata, Popartan 2008) In this period about 77% of Spanish territory was classified as eligible for Objective 1 status. The rest of ACs concentrated in the centre (Madrid) and in the north east of the country (Basque Country, Navarra, La Rioja, Aragon, Catalonia, and the Balearic Islands), were eligible for Objectives 2. The regional governments participated in the formulation of the regional programmes, but not in the final decision which was taken by the central administration. Although the regional authorities took an active role in the implementation phase; the central administration retained a broad margin of manoeuvre in distributing and managing the funds. (Morata, Popartan 2008) From 1993 onwards the input of ACs slightly improved and the national government and the regional governments jointly elaborated the Regional Development Plan (RDP). The ACs participated in setting the priorities and more meetings between the central and regional authorities took place. At the same time, the direct contacts and exchange of information between the autonomic authorities and the Commission multiplied. (Morata, Popartan 2008; Carmona, Kölling 2013)

Nevertheless, until today most ACs demand more participation in the development of the operational plans and more autonomy in the management and implementation of the funds. (Colino et.al. 2014)

Figure III: Eligibility of ACs for EU structural policy since 1994



Source: European Commission

In general terms, there have been similar preferences among the national and sub-national levels of government regarding the different spending headings of the EU budget. During the negotiations of the MFF 2007-2013 a high homogeneity of preferences between the central government and the ACs (with respect to the reorientation of cohesion policy from large infrastructure projects to investments in R&D and towards measures which support SMEs) could be seen. Because of the dramatic effects of the economic and financial crisis, we can verify a change in the bargaining position of the government of Spain during the negotiations of the MFP 2014-2020, and preferences have been oriented more towards measures which could address issues related to unemployment (e.g. the concentration of the European Social Fund towards the fight against youth unemployment). Although there was no common position signed, most ACs supported this focus. In addition, the government of Spain and most of the ACs demanded a gradual exit from the cohesion policy and the creation of “transitional regions”. Furthermore, both the central government and the ACs rejected the relationship between macroeconomic conditions and the performance of the cohesion policy.

III. COHESION POLICY AND THE IDENTIFICATION OF SPANIARDS WITH EUROPE

As a large net beneficiary Spain was always in favour of an increasing EU budget, which has been seen in line with the Spanish demands for “more Europe” and a symbol of the solidarity among member states. In this line, the percentage of Spaniards indicating that Spain benefits from EU membership, increased during the past decade in the same way in which the net balance of Spain increased. However it is important to underline that the Europeanism of the Spanish public opinion is not necessarily based solely on the structural funds and the economic benefits of membership. Since adhesion to the European Community, the Spanish public opinion supported the integration well above the European average, however, until the first half of 1989, most Spaniards believed that the country would be prejudiced by membership. In 1989, there is finally a reversal of this trend, called “Spanish paradox” occurs. (Barreiro; Sánchez-Cuenca, 2001: 34) Like in other member states, Spanish citizens believe that the main achievement of the EU is the “free movement of people, goods and services within the EU” (62% response). The second most valued accomplishment is “peace among member states of the EU” (44% of responses). Only 6% of Spanish citizens consider the CAP as an important achievement of the EU. If asked directly on the redistributive policies, Spanish people value them in a positive way but have little knowledge about their costs. A November 2009 poll by CIS (Centre for Social Investigation) found that only 26% knew that Spain was a net receiver. A higher percentage mistakenly believed that Spain was a net contributor to the EU budget. According to Eurobarometer 80, autumn 2013: 81% of Spanish claims to be little or nothing informed about European affairs (EU average 69%). Only 18% of Spanish considers being well informed. This has important consequences on the way Spaniards evaluate the EU spending. In 2011 33% of respondents considered that administrative costs accounted for the largest heading in the budget, only 8% knew that the CAP and (6%) regional policy were the most relevant policies financed by the EU budget.

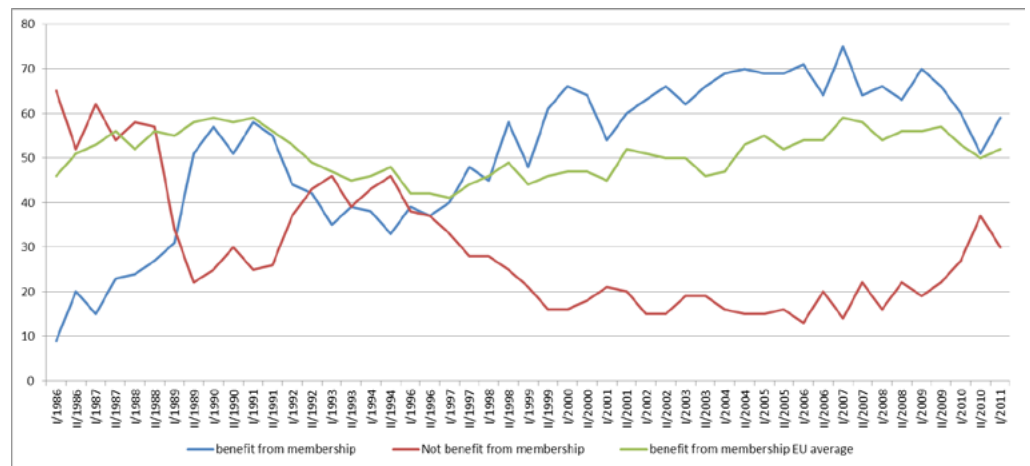
After a troubled past, accession signified that Spaniards were finally able to achieve the longed-for link with the heart of the old continent as a means of achieving political and economic modernity. This longing for Europe was vividly summarized by the philosopher José Ortega y Gasset, who argued in 1910 that ‘Spain is the problem and Europe is the solution’ to the extent that ‘regeneration is inseparable from Europeanization’. (Kölling, Molina 2015) In this context from the transition to democracy, the connection between Europe and political or economic improvement was evident. (Molina, Toygür 2012)

Spanish people and politicians alike have been remarkably pro-European, and do not tend to see much conflict between their national and European identities; indeed the national identity is seen as part of the European identity, ‘nested’ within it. (Molina, Toygür 2012). However, like in other EU countries, the European project has been more supported by the economic and political elites. In fact, also recent studies confirm the important gap between public opinion and elites in terms of how well identification with Europe is rooted in political identities in Spain. (Sojka, Vázquez 2014) The pro-European consensus is also based on the absence of a profound debate on integration and a political discourse based on references to the benefits of structural and cohesion funds. The main political parties, which remain divided on most public policy issues, agree on the benefits of European integration and supported the European policy of the different governments.

The Spanish public opinion was crucial since the early nineties in the negotiating strategy of the government. Both the Gonzalez and Aznar governments, and finally also the governments of Zapatero and Rajoy, argued in budget negotiations that the Spanish public opinion would not understand the benefits of the EU and accept the structural

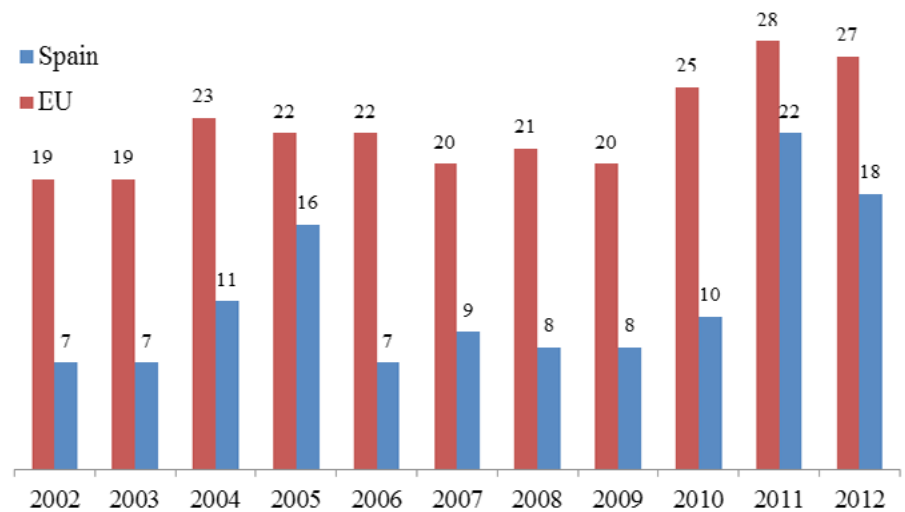
reforms if Spain had to pay more than it receives. The governments of Spain used the domestic “pressure” at the European level to improve their negotiating position. The argument of the public opinion assumed particular importance in the negotiations of the MFF 2014-2020, when the government stated that the public opinion, which had suffered a significant decline in its positive identification with the EU, would not understand how a country which had been hit by the crisis could become a net contributor. (Kölling 2014)

Figure IV: In your opinion, do you think that Spain benefited or not from EU membership?



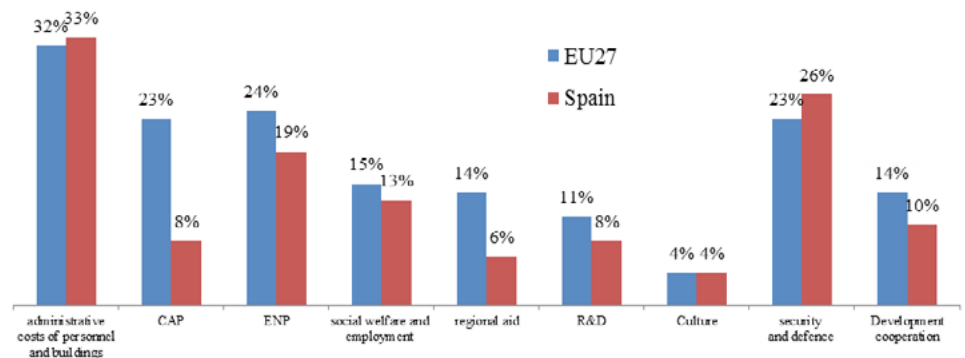
Source: own elaboration, data: standard Eurobarometer

Figure V: Percentage of Spaniards who associate the EU with “waste of money”



Source: own elaboration, data: standard Eurobarometer

Figure VI: In which of the following do you think that most of the European Union budget is spent?



Source: own elaboration, data: standard Eurobarometer

Like in other countries, the pro European sentiment is sensitive to national circumstances, in this sense higher unemployment also provoked traditionally less pro-European feelings and a decline of the number of those who consider that the country gets less profit from EU membership. Furthermore the fewer citizens feel satisfied with democracy, less enthusiasm is shown towards integration and Spain's membership of the EU, this is also a fact which is important for the current decline in the positive consensus towards EU membership.

Despite a significant decline since 2008 surveys on the role of Spain in the EU show a positive consensus above the EU average. However the Spanish public is rather pessimistic about the future of Europe, when compared to other Europeans. Until 2008, Spain felt it had largely benefited from the EU and Europe used to stand for quality of life and modernisation. The deep economic pessimism has worn down Spain's pro-European spirit. Citizens feel that the country had to make too many reforms and began to view the EU with a certain degree of distrust and the EU integration project is now being questioned. The Eurobarometer 80 poll shows 62% of Spaniards "tend to distrust" the EU, against 30% who "tend to trust" it. Support for economic integration dropped from 59 % in 2009 to 34 % in 2013.

While faith in both the EU and the national government has waned in Spain, there is still ultimately a pro-European attitude. When there is debate on Europe, it concerns more how the EU can help the cause of a given party, as opposed to membership of the EU itself.

IV. CONCLUSIONS

As one of the so-called 'Cohesion countries', Spain has enjoyed substantial net inflows of financial resources from the European Union. These funds have contributed to a strong growth performance, a largely successful economic transition, and economic convergence. The impact of cohesion policy has also been substantial in other areas. During the past decades there has been a relationship between the impact of EU regional policies and the positive identification with the European integration process. However public opinion did not only value the type of activities the Structural Funds support, moreover, they are not always aware of the impact of these mechanisms. In general terms, the knowledge about EU redistributive policies has been quite low. The positive identification with the EU within the Spanish public opinion has been used

by the elites and political elites to justify at the domestic level necessary reforms, as well as, at the EU level in order to increase the bargaining power.

The crisis has severely damaged Spain's view of the EU. However despite the severe disillusionment with the EU, most Spanish citizens still feel that being part of the EU is better than being outside of it.

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