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SPATIAL IMPACTS OF PRE-ACCESSION AID IN RELATION TO ESDP OBJECTIVES

Introduction

During the last decade EU policies integrated step by step territorial approaches while the awareness of spatial impacts of various EU policies amongst politicians and researchers had been rising. Also for the New Member States and the Candidate Countries¹ of the EU territorial development issues are of high relevance, since most of these countries have experienced increasing regional disparities and their accession also implies rising welfare gaps at EU 25 respectively EU 27 level. Disparities exist not only in levels of GDP, but also in many other socio-economic conditions, such as human capital, accessibility etc. These developments contradict spatial development objectives of the EU formulated in the ESDP. The main political instruments of the European Commission to influence spatial development in the ten Eastern European candidate countries are the pre-accession aid programmes (PHARE, ISPA, SAPARD)², which are supposed to prepare the countries for EU-membership in institutional but also socio-economic terms. The focus of the PHARE programme is institution building as well as economic and social cohesion³. ISPA targets the establishment of EU environmental standards and the expansion of Trans-European transport networks and SAPARD is related to the Common Agricultural Policy⁴. With regard to territorial development issues the question occurs, to which extent the EU policy interventions already had impacts on regional developments within the candidate countries. Research undertaken in ESPON project 2.2.2 on "Pre-Accession Aid Impact Analysis" approaches these issues and some of the project's tentative findings will be discussed here⁵. In order to lay the foundations for this discussion, the following sections briefly set out the relevant ESDP objectives and the methodology upon which the subsequent analysis is based. This is followed by a discussion of the quantitative analysis of pre-accession aid spending with regard to fields of action and regional distribution of funding. Finally, conclusions on further research needs and tentative policy assessments are highlighted, as far as they can be drawn from the foregoing analysis.

¹ For reasons of simplification below the term 'candidate countries' includes new member states as of May 2004, i.e. Poland, Czech Republic, Slovakia, Slovenia, Hungary, Lithuania, Latvia, Estonia, Malta and Cyprus as well as the candidate countries not joining the EU this year Bulgaria and Romania.

² The other two New Member States Malta and Cyprus receive different funds in the frame of 'Financial protocols' (see <http://europa.eu.int/comm/enlargement/malta/index.htm#financial>)

³ CEC (1999)

⁴ See CEC (2002) and CEC (2003)

⁵ See Kujath, H.J.; Zillmer, S. et al. (2003), Kujath, H.J.; Kunkel, K.; Zillmer, S. et al. (2003) for further analysis.

ESDPs' Spatial Objectives

Above all, the ESDP promotes the objective of balanced and sustainable development, in terms of social, economic and environmental issues for the whole territory of the EU. Among other specific aims, this can be translated into the following spatial objectives:

- Spatial cohesion (equity): This objective states, that inequalities between social groups and regions should be reduced by "securing parity of access to infrastructure and knowledge" (European Commission 1999: 11). Therefore, European integration in terms of improving the linkages between peripheral and central regions by traffic networks and telecommunication infrastructure, by trans-national institutional co-operation or networking of firms etc. have to be strengthened.
- Balanced Spatial competition (efficiency): This objective states, that policy measures should promote an efficient spatial allocation of resources by taking away bottlenecks and barriers to development (Molle 2001). Balanced spatial competition can be achieved by "development of a balanced and polycentric urban system and a new urban-rural relationship" (European Commission 1999:11).
- Protection of natural and cultural heritage: This objective refers to the conservation of natural resources and cultural heritage. Thus, policies should take into consideration regional environmental conditions as well as different national and regional cultural backgrounds preserving the European variety of cultures (European Commission 1999: 11).

These three objectives focus on different aspects of balanced territorial development, which appear to be logically interconnected and complementary. However, the third objective "protection of natural and cultural heritage" will not be considered here in detail, since it forms an integral part of the other spatial objectives as one specific field of action. Instead, the objective of spatial integration will be emphasised here as important dimension of transnational and cross-border linkages throughout the EU Member States and Candidate Countries.

The ESDP's objectives were developed in response to the serious economic imbalances amongst the EU 15 member states, which increased with the enlargement of

the EU territory. While some convergence between some 'poorer' and some more 'prosperous' regions can be observed, regional disparities within many EU countries and especially the Candidate Countries, have been and still are increasing, e.g. between economically strong urban centres and poorer - often rural - 'lagging regions', not few of them being located close to the new external border of the EU 25. On this basis, "the ESDP starts from the assumption that growth in itself ... is not sufficient to develop a balanced and sustainable economic and spatial structure in the EU" (European Commission 1999: 9), let alone in an enlarged EU.

Approaching Spatial Impact Analysis

Analysing impacts of policy interventions on spatial developments generally bear some severe difficulties. First of all, a reliable isolation of influences amongst the variety of factors influencing spatial development is hardly to achieve, especially when considering the relatively low level of spending in the case of pre-accession aid programmes. Furthermore, impacts can be expected to develop only in a long-term perspective and most pre-accession aid programmes only started in recent years. Finally, reliable data on socio-economic indicators as well as data on pre-accession aid spending on regional level is only partly available.

Nevertheless, to approach a spatial impact analysis the concept of "potential factor analysis" seems to be very useful. On the one side, this concept is fundamental to the identification and analysis of regional disparities, and on the other side, it can support an assessment of policy effectiveness and efficiency if not for global indicators but for other socio-economic characteristics as described by the potentials. The main assumption of the potential factor concept is, that each region is provided with specific factors/resources, which can be used to support the development of the region, envisaging kind of an endogenous development potential. The availability of these 'factors' can represent a regional potential if they are widely available for use as a regional resource, or they embody a regional bottleneck hampering development if they are unavailable or insufficient (Thoss 1984: 21). Concepts of independent regional development, to which the potential oriented concept belongs, aim at reversing negative regional development trends by mobilising regional potentials and reducing regional bottlenecks (Hahne 1987: 465-466). Consequently, policy approaches derived from this type of analysis seek to utilise the regional development potentials as completely as possible, in order to achieve a balanced development across regions, and related social and economic cohesion (Thoss 1984: 21).

The concept on potential factors provides a tool for policy impact assessment, since according to this concept, impacts depend on the extent to which policies address

regional potentials and bottlenecks, and thus, on the degree to which policy interventions are adapted to specific regional situations. Policy interventions, therefore, need to be analysed with regard to the character of interventions in terms of fields of action respectively regional potentials addressed on the one side, and the regional targeting, i.e. the relative distribution of policy funds amongst the regions on the other side. Results of such an analysis allows for further conclusions on the extent to which a strategic orientation of policies towards ESDP objectives exists⁶.

In order to conduct this kind of analysis for EU pre-accession aid ESPON project 2.2.2 established a comprehensive database on PHARE, ISPA and SAPARD spending from 1998 onwards broken down to NUTS 3 respectively NUTS 2 level, depending on data availability and regional specification possibilities. Programmes and projects were categorised according to the potentials they address most strongly. Similar to the approach taken by Alecke and Untiedt (2001) and in adjustment to the specific situation of transformation countries, the analysis differentiates between eight potential categories:

- Labour market potential
- Geographical position
- Environmental quality
- Capital supply
- Regional market potential
- Institutional conditions
- Innovation potential
- Agglomeration and localisation advantages

Assessment of Pre-Accession Aid priorities

The analysis is based on data for PHARE, PHARE CBC and ISPA⁷ for the period between 1998 and 2000. To get a first overview on the fields of action funded by pre-accession aid measures in the respective period, the following Map 4-1 displays the distribution of funds according to the potentials addressed as percentage of total funding per country. The charts include the total PHARE, PHARE CBC and ISPA funding on national and regional level. In most countries a major part of pre-accession aid funds is spent on three fields of action:

1. Still, at the end of the 1990s, the improvement of institutional conditions (yellow slices) has been of high priority in many countries. This holds the more for the countries lagging behind in the accession process, namely Bulgaria and Romania. Support for the adoption of the *acquis*, as one of the main aims of pre-accession aid, thus results in high shares of funding in this field.

⁶ See Kujath, H.J.; Zillmer, S. et.al. (2003) for detailed methodological approach.

⁷ No reference is made to SAPARD programmes as of two reasons. First, most SAPARD programmes only started their project allocation and funding after 2000, and second, SAPARD data is not complete for all countries under consideration.



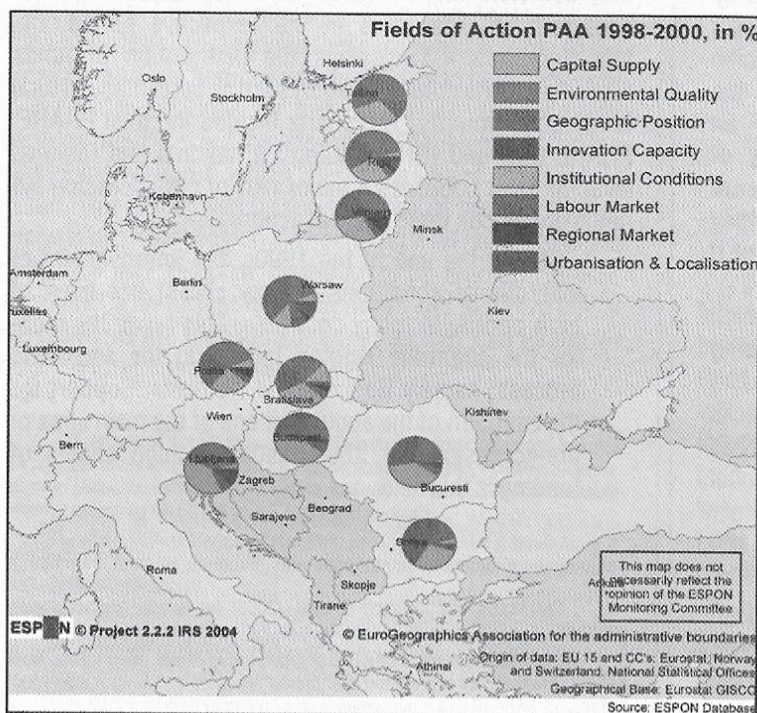
2. The improvement of the relative geographic position (brown slices), which is achieved by transport infrastructure investments presents the second field of high priority in most countries. Especially the large countries, e.g. Poland, Hungary or Bulgaria spent high proportions of their total spending in this field.
3. A third important priority in most countries is the improvement of the environmental quality. This includes measures for municipal waste disposal, sewerage and water infrastructure or measures for the reduction or prevention of air pollution.

Since the two last fields are mostly related to large-scale infrastructure investments - since 2000 mainly funded by ISPA⁸ - their high share of total funding seems to be justifiable. Moreover, environmental problems resulting from heavy industries in the past on the one hand, and low levels of accessibility due to poor transport infrastructure and peripheral locations on the other hand, are major bottlenecks in many parts of the candidate countries. Nevertheless, considering spatial development objectives, e.g. long-term balanced spatial competition, it can be doubted whether these types of interventions are sufficient for facing the current development problems. To reveal high impacts on development they need to be supplemented by interventions supporting human and business resources like actions targeting at the labour market potential or the innovation capacity. Otherwise, these latter potentials are likely to characterize bottlenecks to overall regional development, as potentials which are in shortest supply define development options. "Soft" measures of this kind, however, seem to account for a rather small share of funding in most countries so far.

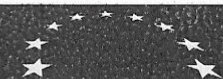
With regard to spatial development objectives not only distribution to fields of action but the regional distribution of funding is relevant as well. Though funds spent on national level can affect the regional level as well, only funds directly allocated to regions allow for conclusions on regional priorities and for further analysis in terms of impact assessment. Map 4-2 shows the shares of funding allocated to regional respectively national level. For reasons of data availability and comparability the regional NUTS 2 is used for the larger countries (Poland, Czech Republic, Hungary, Romania and Bulgaria), the NUTS 3 level for the smaller countries (Estonia, Latvia, Lithuania, Slovenia and Slovakia). The share of funding distributed on regional level (blue slices) varies between the countries from roughly one fifth in Bulgaria to nearly 70% in Poland. Shares of regionally distributed funding are mainly low in the small countries (Slovenia, Lithuania, Latvia) but this should be considered relative to their status as one single NUTS 2 region. Estonia constitutes an exception in this regard, since together with Poland and the Czech Republic it belongs to the countries with the highest proportion of regional funds. Since institution building on national level in Poland and the Czech Republic is relatively advanced, higher shares of funding for the regional level seem to be available in these countries in comparison to other countries. The high share of regional allocation in Estonia, however, can be attributed to a comparably high share of ISPA funds, which are mostly regionally targeted. The extent to which funding regionally varies also differs between the three pre-accession aid programmes. Within the PHARE programme a number of countries have used regionally targeted projects and programmes already at a relatively early stage. In total, however, in most countries the national dimension is much more important than the

regional one and a systematic regional variation of PHARE funds can not be observed. On the contrary, ISPA mainly funds rather few and clearly spatially targeted projects addressing localised environmental problems and transport bottlenecks. Additionally, many of these regional projects are of large-scale, requiring high amounts of regionalised funding. SAPARD, which is not included in the data provided here, already implies a systematic regional variation of funding by concentrating on rural regions, which in nearly all of the Candidate Countries are the most lagging regions. Nevertheless, as of the quite limited number of medium and large functional urban areas, large parts of the Candidate Countries comprise rural regions, that is why most regions in these countries are eligible for SAPARD funds.

Map 4-1: Potentials Addressed by Pre-Accession Aid Programmes 1998-2000

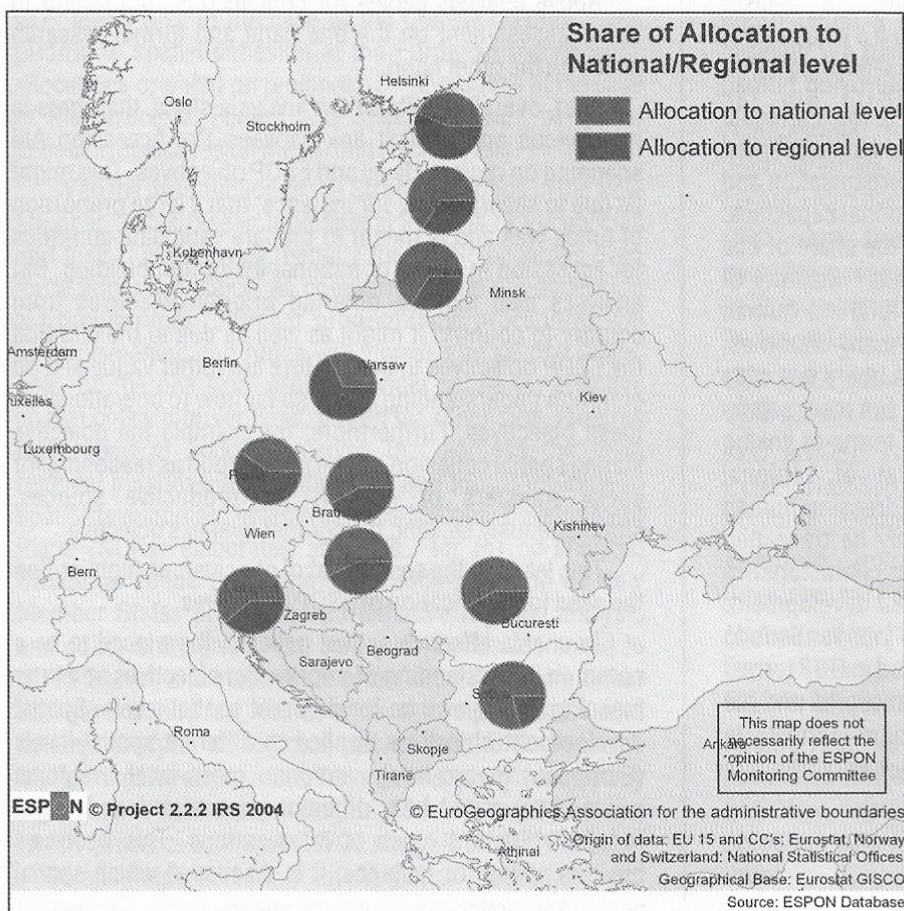


⁸ Before 2000 only different kinds of Phare programmes were differentiated, summarising ISPA and SAPARD measures under the countries' Phare programmes.



Map 4-2:

Share of Allocation to National and Regional Level



absorption capacity assumed for the EU member countries of 4%. Secondly, regions who have received funding above average are mostly border regions (e.g. Czech Ostravsky bordering Poland and Slovakia, Slovenian Pomurska bordering Hungary and Austria, Lithuanian Utenos bordering Latvia and Belarus or Polish Lubuskie bordering Germany). This points out the high significance of PAHRE CBC funding (see also Kujath, H.J.; Kunkel, K.; Zillmer, S. et.al. (2003). With regard to the ESDP objectives an above average funding of these regions is justified due to their disadvantaged situation as border regions and their high importance for spatial integration on a regional scale, thus simultaneously addressing the spatial integration objective of the ESDP. Thirdly, relation of levels of funding to levels of GDP allows for conclusions on the extent to which there is a consequent distribution of funds in terms of the spatial cohesion objective. However, as the diagram shows, less developed regions are not in any case preferred areas of funding. This gives rise to

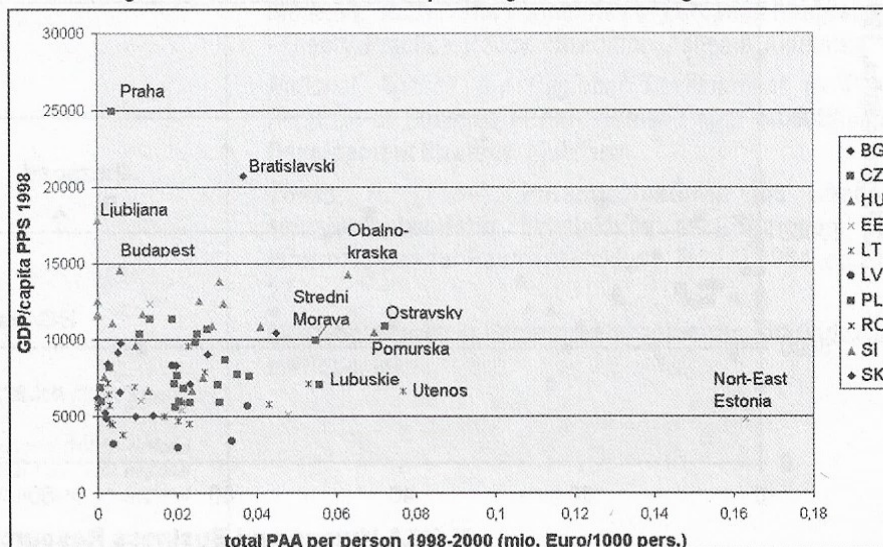
In the following, funds allocated on regional level are analysed in more detail under consideration of spatial development objectives. The charts presented below, thus, include only the share of funds marked blue in above Map 4-2.

Pre-accession aid spending for all regions receiving funds is related to the regional GDP per capita in PPS to get an impression to which extent the level of spending is oriented on the level of regional performance. Again the funds displayed include PHARE, PHARE CBC and ISPA for the years 1998-2000 in Mio. Euro per 1000 inhabitants. In the below Chart 4-1 each region is marked by one symbol with each country represented by another type of symbol. Three points can be highlighted regarding the resulting relation of funds' spending and GDP level. First, the overall level of funding is rather low with up to 40 Euro per inhabitant for the total period of three years in the majority of regions. In terms of percentage of regional GDP these figures amount to less than 2% for the total period in most regions, thus, being much below the

the question of the role of the objective tackling balanced spatial competition. If funds are not distributed to lagging regions in general in order to improve their economic performance, they could be directed to lagging regions with specific potentials for increases in the productivity and thus their competitiveness. Besides Estonia, non of the countries appears to link the level of funding to the level of regional GDP.

Chart 4-1:

Regional Pre-accession Aid Spending Related to Regional GDP





Analysis of priorities of action on regional level allows for further conclusions on the extent to which interventions are oriented on regional potentials. Only a rather rough overview can be presented here. Below Chart 4-2 displays the proportion of total funds aiming at improving human and business resources for each region, i.e. the aggregate share of interventions affecting the regional labour market, the regional innovation capacity, regional urbanisation and localisation advantages or regional institutional capacities. As on national level, also in most regions the share of this kind of interventions is rather low with the majority of regions directing less than 20% of their funds to human and business resources. Nevertheless, in many countries, e.g. Slovenia, Hungary, Poland or Slovakia, there is a wide variation of priorities between the regions, but there seems to be no strategy behind the allocation in terms of linking the type of intervention to the level of regional development. The extent of measures addressing human and business resources can certainly only be translated into socio-economic development, if other characteristics respectively bottlenecks do not hamper their development. This suggests to strongly link this kind of interventions to regional development levels, often measured in GDP terms. Then, concentration on support for human capital and the business environment could improve long-term competitiveness of regions as soon as major infrastructure bottlenecks have been reduced.

Conclusions

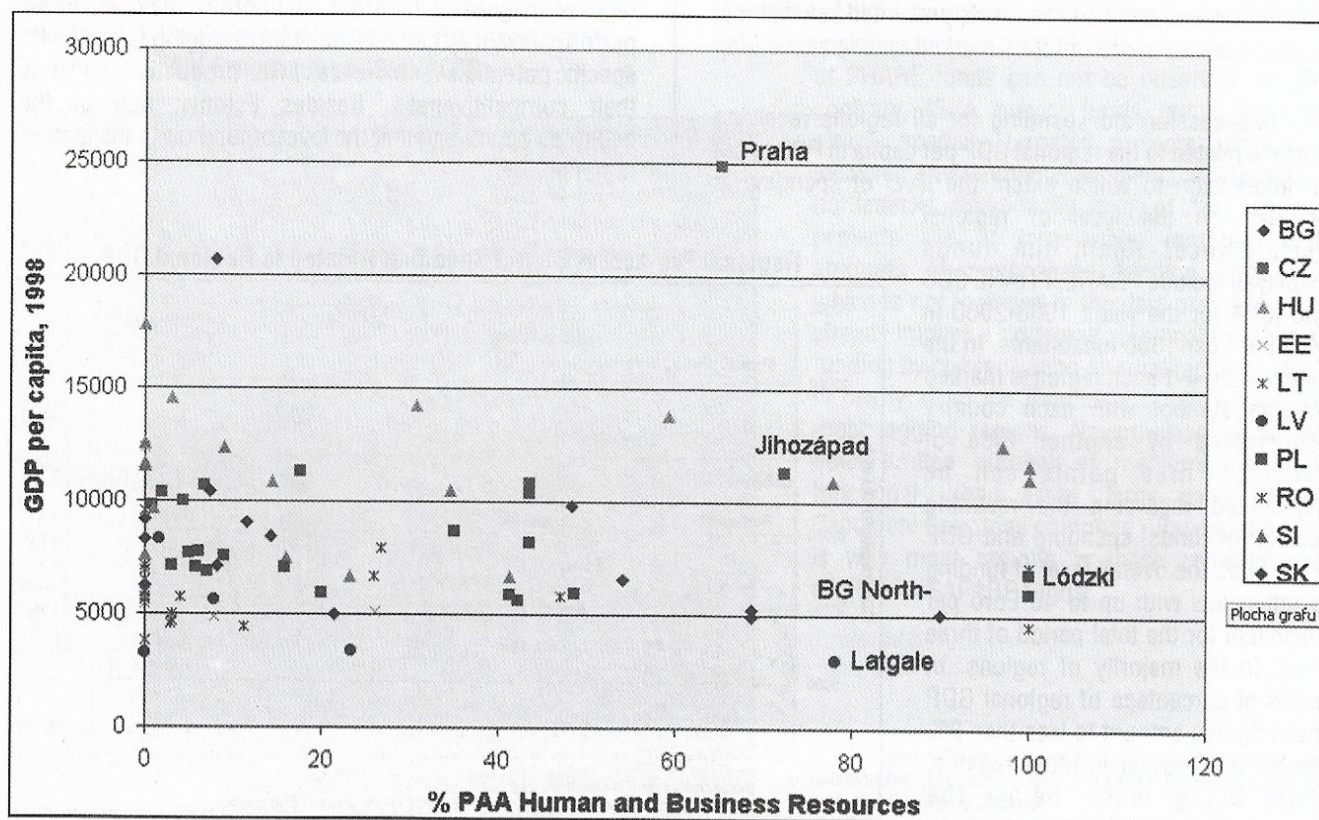
Above analysis allows for conclusions with regard to policy assessment on the one hand and further research needs on the other hand.

First, overall results of the analysis show, that there is no obvious and explicit link between Pre-Accession Aid spending on regional level and ESDP objectives. This might be due to several facts, for instance, that a large proportion of funds was and is meant to prepare candidate countries for accession in terms of national institution building. But analyses also indicate differing priority objectives from country to country. It might as well be due to the fact that the ESDP objectives in their nature are rather vague and no common understanding exists so far how to operationalise these objectives. Furthermore, for example the objective stating spatial cohesion can be understood as reasoning for social transfers or support for productive sources, simultaneously tackling the competitiveness objective.

This leads to the second set of conclusions highlighting the need for clarification of ESDP objectives.

To enable effective spatial policies, there need to be a common understanding of priorities of objectives and their meaning and relevance for different spatial levels. Spatial development objectives applied to different spatial levels (European macro-level, national meso-level, regional micro-level) might bear different implications and might require different types of interventions. This becomes obvious, when for instance, it is discussed which spatial

Chart 4-2:
Regional Pre-Accession Aid Spending on Human and Business Resources Related to Regional GDP



level should be the reference level for the allocation of funds. While orienting allocations on the basis of national GDP levels (like in the case of the Cohesion Fund) gives priority to spatial cohesion at the European macro-level, allocations oriented on regional GDP levels (like in the case of the Structural Funds) take special account of spatial cohesion objectives on meso- and micro-levels.

With the introduction of the Structural Funds in the New Member States research on spatial impacts of EU policies and their guiding basis, namely the ESDP, becomes even more important, since, as compared to the pre-accession aid programmes, stronger programming procedures will be implemented and funds will increase by several times. This, on the one side, provides wider scope for effective spatial policy interventions, but on the other side, requires elaboration of policy strategies that address the main regional potentials and bottlenecks and thus contribute to spatial development objectives. The National Development Plans (NDPs) elaborated as basis for EU co-financed Structural Funds programmes in 2004-2006 in all New Member States provide broad tentative regional analysis and policy strategies⁹. Yet, Structural Funds are linked to NUTS 2 level, and statements given in the NDPs are rather too general and do not provide a comprehensive and detailed analysis of regional potentials and bottlenecks. More extensive approaches are required as e.g. followed by Slovenia's White Paper on Regional Development Strategy, which presents a detailed SWOT analysis on NUTS 3 level¹⁰. Detailed identification of regional potentials and bottlenecks then enables strategic allocation of funds in terms of selected fields of action and selected regions. However, even such a detailed SWOT can only be helpful, if it is strongly directed towards the specifics of the regions rather than only pointing out strengths and weaknesses typical for one or another kind of region¹¹.

⁹ See e.g. Ministry for Regional Development Czech Republic (2003) National Development Plan 2004-2006.

¹⁰ See Ministry of the Economy - Republic of Slovenia (2001): National Development Plan 2004-2006, Proposal. Ljubljana. National Agency for Regional Development (NARD), Republic of Slovenia (1999): White Paper on Regional Development Strategy. Ljubljana.

¹¹ See for instance Lviv Development Project (2004).

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