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When money is too much of a good thing

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With an EU membership bid comes funding, but also demands on how a country spends that money.

Countries seeking to join the European Union have access to funding under the Instrument for Pre-Accession Assistance (IPA), which since 2007 has progressively replaced earlier funding mechanisms such as Phare and Cards. Under the current multi-annual budget of the EU, covering 2007-13, €11.5 billion is available in IPA funding.

Croatia, next in line to enter the EU, is expected to achieve membership on 1 January 2013 at the very earliest – which will probably be too late for it to have much of a voice in the negotiations on the next multi-annual financial framework, which will run from 2014.

Had Croatia been a member of the EU during the current financial period, it would have been eligible for €7.6bn in EU cohesion funds, according to a recent study commissioned by Markus Pieper, a German centre-right MEP and vice-chairman of the European Parliament's regional development committee. This is more than eight times the €908.2m that Croatia is currently scheduled to receive under the IPA up to the end of 2012, which is an indication of the massive demands that will be made on local administrations when the country joins the EU.

Too much to absorb

Will Bartlett, a senior research fellow in the political economy of south-eastern Europe at the London School of Economics and Political Science, says that Croatia's 21 counties – which encompass some 500 municipalities – may be too small to absorb the massive regional funding they are set to receive once it joins the Union. This could lead to an upgrading of the role of Croatia's three regions, which currently exist for statistical purposes only and have no role in governance.

Croatia is not, however, Pieper's principal concern. His worry is Turkey, whose EU membership he opposes. Turkey would have been receiving €124.9bn in cohesion funds in 2007-13 had it been a member in 2007, compared with the €3.9bn it will receive from the IPA in 2007-12. This, according to Pieper, makes it clear that Turkey's membership would far exceed the EU's capacity to provide regional funding based on the current model. (The study does not factor in the two countries' expected contribution to the EU budget.)

Not all IPA cash is regional funding in the strict sense. The instrument is divided into five components: transition assistance and institution building, cross-border co-operation, regional development, human resources development, and rural development. The first two components are open to potential as well as actual candidate countries, the rest only to countries in the process of applying for EU membership (currently Croatia, Iceland, Macedonia, Montenegro and Turkey).

The accession to the EU in 2004 of a first wave of post-communist countries generated a lively academic debate about the lessons of regional funding for these countries. Many observers have noted an in-built tension between the top-down nature of the accession process – in which strong central governments are seen as the main driver of political and economic reform – and the EU's demand for decentralisation and the creation of administrative subdivisions for the management of regional funds.

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