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EU COHESION POLICY – BOOSTER OR DESTROYER OF NATIONAL POLICIES? CASE OF UNIVERSITIES

POLITYKA SPÓJNOŚCI UNII EUROPEJSKIEJ – BODZIEC CZY ELEMENT NISZCZĄCY POLITYKI KRAJOWE? PRZYPADEK UNIwersYTETÓW

DOI: 10.15611/pn.2017.466.21

JEL Classification: R58

Summary: The cohesion policy is among the most important European policies. Its influence is particularly strong in the new member states, which have become the major recipients of aid under this policy. Cohesion policy is very wide and extends into many areas of development, such as for example education, transport or innovation support so in some member states it strongly influences national policies in various areas. This article aims to analyse the interaction between cohesion policy and national sectoral policies on some examples from Central European countries. It turns out that cohesion policy often leads to a significant reduction in national policies and in some cases may even negate their intentions. The governments need to pay more attention to coordination of these policies and also to proper institutional environment.

Keywords: cohesion policy, structural funds, university, national policies.

Streszczenie: Polityka spójności jest jedną z najważniejszych polityk europejskich. Jej wpływ jest szczególnie silny w nowych państwach członkowskich, które stały się głównymi beneficjentami pomocy w ramach tej polityki. Polityka spójności rozciąga się na wiele obszarów rozwoju, na przykład edukację, transport czy wsparcie innowacji. W niektórych państwach członkowskich silnie wpływa na politykę krajową. Niniejszy artykuł ma na celu przeanalizowanie interakcji między polityką spójności a krajowymi politykami sektorowymi na przykładach z krajów Europy Środkowej. Okazuje się, że polityka spójności często prowadzi do znacznego osłabienia polityk krajowych, a w niektórych przypadkach może nawet zaprzeczyć ich intencjom. Rządy muszą zwracać większą uwagę na koordynację tych polityk, a także na właściwe otoczenie instytucjonalne.

Słowa kluczowe: polityka spójności, fundusze strukturalne, uniwersytety, polityka krajowa.

1. Introduction

Cohesion policy is among the most important policies of the European Union (EU). In countries where EU cohesion policy funding is of major importance it covers a large share of total spending for capital expenditure for development [Barca 2009]. Another key feature of this support is cross-sectionality. It is primarily focused on underdeveloped regions and affects all innovation key areas, from education, research, infrastructure to social inclusion. This leads to a significant interaction between national sectoral policies and cohesion policy itself. These effects may be seen on several levels – from policy setting through policy implementation up to administrative and institutional capacity development. They could mitigate or boost present national policies outcomes by setting different objectives or implementation processes comparable to national policies. Vice versa, sectoral policies may have a considerable impact on the cohesion even though cohesion related objectives are rarely made explicit and their effects are often unintended [European Commission 2010]. This is also specially the case of new member states.

The aim of this article is to analyse the interaction of national and cohesion policy in the field of universities in the Slovak Republic. We look more closely at few concrete examples and the influence of cohesion policy on the development and outcomes of national policy. The present studies mainly deal with this interaction of the institutional and capacity building, but there are only few looking more closely on different aspects of concrete policy processes.

The first part of the article will deal with the role of cohesion policy in development process and possible interaction between cohesion and national policies. The next part will deal with the concrete case study of interaction of support of research and development at universities in the Slovak Republic.

2. Cohesion policy role

One of the main key debates on cohesion policy concentrates on the issue of properly designed policies to achieve the goals of cohesion. Moreover, the past decade has witnessed a gradual shift from policies aimed at reducing disparities towards those aimed at strengthening regional and national competitiveness, with a focus on exploiting regional potential to contribute to national growth [European Commission 2010]. This lead to a strong debate if the design of policy should be “spatially blind” or “place based”. This also opens the question of interaction among national, sectoral and regional policies.

The starting point of a place-based development policy is the idea that most of the knowledge needed to fully exploit the growth potential of a place and to design tailor-made institutions and investments is not readily available and must be produced anew through a participatory and deliberative process involving all local and external actors. The place-based approach is therefore designed specifically to identify and build on the embedded local knowledge [Barca et al. 2012].

On the contrary, spatially-blind policies are also seen as “people-based” policies, representing the best approach to deliver an improvement in people’s lives and to guarantee equal access to opportunities, regardless of where they live. The reason is that it is assumed that, by encouraging mobility, spatially-blind strategies ultimately lead even to a more geographical distribution of wealth and to the convergence of lagging areas. Consequently, development intervention should be space-neutral and factors should simply be encouraged moving to where they are most productive [Barca et al. 2012].

With few and relatively minor exceptions, traditional development policies continued to rely on the 1950s growth and development theories based on a sectoral rather than a territorial dimension [Barca et al. 2012]. Moreover, the application of the EU cohesion policy principles in the new member states is often superficial and inconsistent [Dąbrowski 2014]. In these situations, although cohesion policy funds are not earmarked to sectors, a large part of the resources ends up being allocated to sectoral programmes that lack place-basedness: this is particularly the case for the resources – about two thirds of the whole budget – which are managed by the central administrations [Barca et al. 2012]. Moreover, there is still inadequate understanding of the sophistication of the interplay between key actors and insufficient appreciation of how this interplay varies at different stages of the cohesion policy design/implementation process [Bachtler, Wren 2006]. So we can see that cohesion policy itself is very complex with a lot of open questions. Moreover, there is also some clash among EU policies themselves [e.g. Crescenzi et al. 2015].

To add complexity, there is not only cohesion policy, but also national policies of member states. The clash between these policies is specially the case of countries where whole or nearly whole country is under objective one of the cohesion policy. This is also the case of Central European countries, including the Slovak Republic. Huge amount of support has come to these countries and it strongly influences their own policies in very different ways. From the financial perspective of previous programming period, national public investment declined in real terms in seven member states, five of which were cohesion countries (Greece, Hungary, Malta, Portugal and Slovakia). On the other hand, six countries with the highest increases are also cohesion countries: Poland, Estonia, Romania and Lithuania (the rise amounting to over 60%) and Latvia and Bulgaria (over 100%) [European Commission 2010]. Despite this, only few researches deal with this issue.

2.1. Key interactions

The new Member States have fully benefited from cohesion policy from the programming period 2007-2013. Due to the fact that this volume of support significantly exceeded other available development resources, the policy in many cases significantly affected the development of national policies in various areas.

Key interventions and interaction can be examined in a number of areas. The first is the creation of policies. The interaction could be viewed in several ways. Cohesion policy acts on the multi-annual programming. At present, almost all the regional plans follow the same programming period of cohesion policy. Linked to this is the entire system of planning and operation its financing. This under the cohesion policy is understood mainly through the use of the partnership principle.

The system of partnership was introduced with the reform of the Structural Funds in 1989 and was defined as cooperation between the European, national and regional government levels in order to achieve common goals [Tömmel 2016]. This system could be defined as second order governance. The second-order governing attention is focused on the structural aspects of governing – the creation and maintenance of these institutional settings [Kooiman 2003]. Key benefit of partnership allows for the creation of a vertical nexus between government levels and for stimulation of horizontal interactions among governments of the member states, public and non-state actors [Tömmel 2016].

Consequently, the second very important interaction is dealing with institutions.

Studies show the importance of institutions in economic development. Places with weak or inefficient institutions suffer from a variety of problems, which can range from corruption, rent-seeking or insider–outsider problems [Rodríguez-Pose, Storper 2006]. Cohesion policies strongly influence institutional capacities and administrative arrangement of national support policies. Institutional effects are most prominent in the lagging regions and countries of southern, central and eastern Europe – where significant spillovers into national policies and administrative practices are evident [Barca 2009]. More important, the relevance of government quality increases significantly as the level of cohesion expenditure rises [Rodríguez-Pose, Garcilazo 2015], so it becomes crucial specially for new member states.

Last important interaction is the way how different objectives are achieved and how the support is distributed in comparison with national policies. In this area, only few research was done in previous years, but several studies found some separation of structural fund of institutional system from national systems, e.g. Andreou [2010] in Greece or Mike and Balás [2014] in Hungary.

We will look more closely on a case of support of universities in the field of research and development. Universities are a very important factor for national as well as regional development. They are a very good case study also because of their different roles in different types of policies. They are also one of the most important actors in regional development.

3. Support of universities case study

In our case study, we analyse more deeply mentioned key interactions among policies in the field of support of universities, specially their research and development activities. We concentrate on three issues – institutional setting, financing issues and empirical differences in different policy support.

We analyse the support of universities from cohesion policy in Slovakia during the programming period 2007-2013. During this period, a university can apply for support under several measures (more details on nsrr.sk), mainly targeted on:

- modernization and improvement of technical infrastructure for research,
- enhancing the quality of research centres and support excellent research, with an emphasis on the areas of strategic importance for the further development of economy and society,
- increasing the degree of cooperation of R&D institutions with social and economic practice, mainly through knowledge and technology transfer.

The total contracted amount from the Structural Funds in the programming period 2007-2013 for universities was more than 860 million euros. [Zoznam prijímateľov 2015]. Third education school system in Slovakia is composed of 20 public, 3 state and 12 private universities or colleges. Support was received particularly by public and state schools. Public universities received 95.46%, state 4.02% and private ones only 0.52% of the total sum.

When analysing this support, several issues related to its connection with national policy arise. In the next part, we will discuss three of them.

3.1. Institutional issues – parallel structures

One of key factors affecting the possible mitigation of boosting of national policies is the way the institutions are organized. The relative importance of absorption and policy effectiveness drive the choice of implementing agents within the Member State; and the most important choice is between differentiated (single-purpose) and integrated (multipurpose) implementing organisations [Mike, Balás 2014]. Unfortunately, in many countries instead of integrated structures, parallel structure of cohesion policy has been implemented. This is also the case of R&D support at universities. For the implementation of R&D support the new agency (The Agency of the Ministry of Education, Science, Research and Sport of the Slovak Republic for the Structural Funds of EU) was established for 2007-2013 programming period. The agency was responsible for the implementation of two operational programs – Education and Research and Development. At that time, national support funds for R&D were distributed through the Slovak Research and Development Agency. As a result, during the programming period, two independent agencies dealt with the same issues.

University support through both agencies has been implemented through various operational programs and, unlike state subsidies has been largely project-oriented. This support has been focused on several directions by promoting technology transfer and cooperation with the private sector through building the research infrastructure to education.

On the contrary, the major part of funding of research at universities is linked to the defined performance indicators. Finances are proportionately linked to the

achievement of the indicators of individual universities. Indicators are measured retrospectively for their performance over the previous two years. Applicable methodology for allocating resources for universities funding is always only one year ahead, and often even at the beginning of the year the total volume of finances and budgets of universities is not clear as they are not normally approved until March of that year. The indicators are mainly the number of publications (each type of publication has certain weight, the most valuable are articles published in journals registered in SCOPUS or Web of Science) and the amount of funds for research acquired from other sources (foreign and domestic grants, cooperation with private companies).

In the next paragraphs we will show that this parallel structure of financing allows different support distribution and could mitigate the effect of performance based national policy.

3.2. Financing issues – cohesion policy makes a difference

Funding from the Structural Funds represents a significant source of income for universities. While at the beginning of the programming period 2007-2013 they accounted for just over one percent, they reached a peak in aid spending in 2013 accounting for 23.78% of the resources that were allocated under sectoral policy – budget chapter universities financed through the Ministry of Education, Science, Research and Sports. A more detailed development is shown in Figure 1.

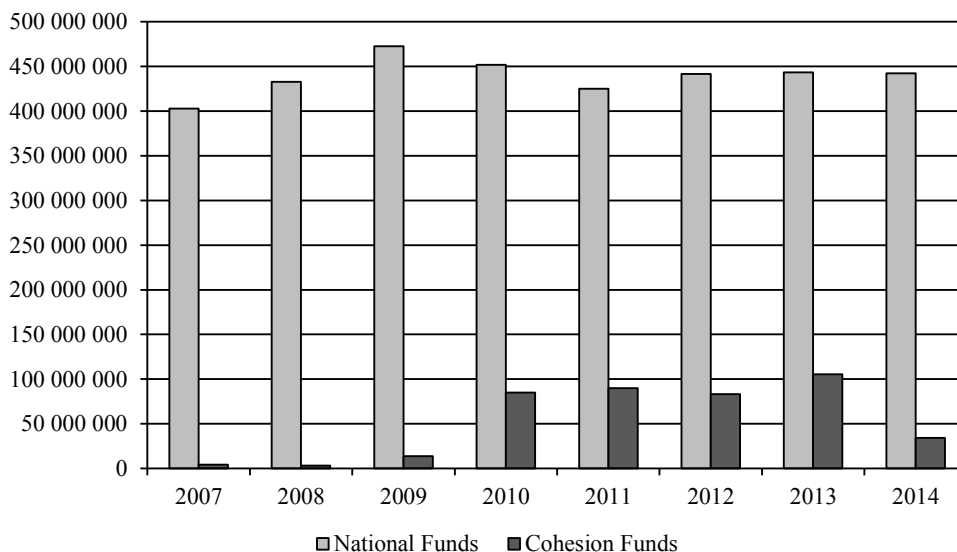


Fig. 1. Share of national and cohesion funds on university financing (in euro)

Source: own calculations based on yearly reports of the Ministry of Education.

We can also see that financing from the Ministry of Education was during the relatively constant period with the parallel decreasing number of students that means a slight increase in spending per student. Nevertheless it is still well below the OECD average, with 21% of the total funding committed to R&D activities. This ratio was significantly below the OECD average as well as the European Union average [OECD 2014]. Consequently, finances from cohesion policy have led to the major changes in the annual resources allocated to universities. One slightly positive fact is related to the fact that the principle of additionality is applied and the total amount of funds allocated to universities from national funds was not diminished over years so rapidly, as it was in case of e.g. Hungary [Mike, Balás 2014]. Total amount of funds to universities has been increasing. The system of co-financing promotes coherence between cohesion policy and national policies and it extends the amount of expenditure on which EU cohesion policy rules have an influence beyond the limits of the EU budget. However, since co-financing does not apply to single projects, it does not reduce the moral hazard of national authorities in choosing projects for EU financing [Barca 2009]. This is partly confirmed also in our case study and is discussed later.

3.3. Outcome issues – mitigation of performance indicators

Outcomes of universities in the field of research can be measured in several ways – the most frequently used are number of patents, level of received grants or publications in reputable databases. These outputs are often combined using different indices or other similar methods to assess outcomes, such as multicriteria analysis DEA [Johnes, Johnes 1993; Abbot, Doucouliagos 2003]. Due to the fact that patents are more domain of technical fields and only very few were prepared in the Slovak Republic, we selected the published scientific articles registered in SCOPUS as a measure of performance in our case.

In terms of the performance of Slovak universities, if they are measured as the number of published articles registered in the Scopus database, universities in a given programming period improved significantly. Measured outputs of 22 universities that drew the most support from the EU, increased more than twofold (from 1551 articles in 2007 to 3206 articles in 2014).

Resources were among universities unevenly distributed. Considering that the aim of cohesion policy is partly the elimination of regional disparities, it is understandable that a greater volume of aid is allocated to underdeveloped regions. Research and development was an exception. Although the Bratislava region did not belong to Objective 1, also universities from this region could access these resources. This led to a much smaller difference in the drawdown of the Bratislava region and other regions when compared to the other areas of cohesion support as e.g. transfer of innovation support for businesses.

In Figure 2 we can see a more detailed breakdown of support among individual universities in relation to their share of the overall performance of publishing activities. The results confirmed a smaller volume of support for universities in Bratislava (with the exception of the University of Economics in Bratislava). This is most reflected in two main universities in Slovakia – UK and STU. While their proportion in the total publications for the programming period was 47.73%, total support for their research activities was only 32.46%.

If we consider only universities from Objective 1 area, differences are lower and the distribution of support is more in line with their performance (measured by SCOPUS articles). The correlation between performance indicator and the amount of support from cohesion funds is 0.79. However, if we consider support from state scheme, correlation is even stronger – 0.91, but the total amount of support from state scheme is only 10% compared to amount from structural funds. Specially, strong support from cohesion went to universities that were at the end of the performance rankings, as mentioned Catholic University or the Military Academy in Liptovský Mikulas.

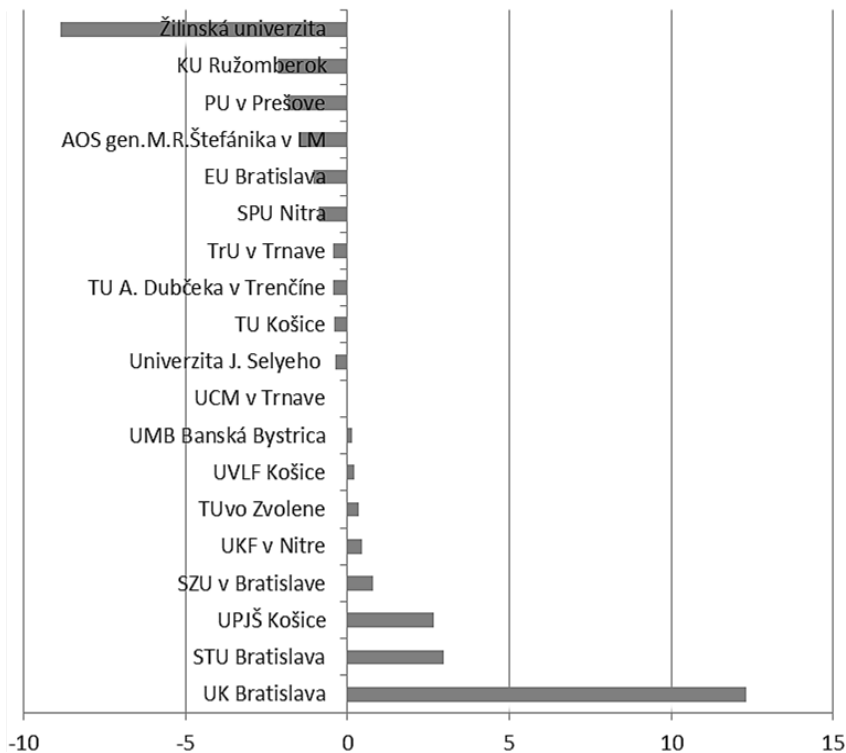


Fig. 2. The relative difference in the performance of universities by publications and their share of support from the EU Structural Funds (in percentage)

Source: own calculations.

Of course, the role of structural funds is broader than only to support universities in their publishing performance. We only want to look if this support could negate the performance based national policy. We have found that this effect is not very strong if we consider Objective 1 region, but quite strong when considering also the capital city of Bratislava.

4. Conclusions

The amount of cohesion policy funds significantly affects different single national policies. It is therefore a very important addition to the clear definition of its objectives to pay more attention to the way of interaction with these policies.

Our research has shown the existence of significant parallel structures which can create cohesion policy in meeting its objectives. This phenomenon was already pointed by some other studies. e.g. [Mike, Balás 2014]

For universities, growing trend means particularly increasing the share of performance-based financing, which can be observed also in the Slovak Republic. A significant proportion of their budget comes from external sources, such as EU Cohesion Policy, but allocation from them is quite different compared to their research performance, especially if considering the capital city of Bratislava. These differences, while quite large and partly channelled into universities with very little research performance, thereby indirectly reduce the setting of national research funding based on performance. For more details, we need to look closer on the project level of support and investigate potential differences in outcomes directly from them.

This work was supported by the Slovak Research and Development Agency under the contract No. APVV-14-0512.

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