

EU Multi-level Governance in the Making - The Community Initiative LEADER+ in Finland and Germany¹

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¹ This paper is a summary of my PhD thesis "EU Multi-level Governance in the Making - The Community Initiative LEADER+ in Finland and Germany" defended with the permission of the Faculty of Social Sciences of the University of Helsinki in 2008. I am in the process of finding a publisher for the thesis and look forward for any suggestions in relation to this as well as in terms of the contents summarised in this paper.

Introduction

With the exception of scholars such as Gary Marks or Beate Kohler-Koch, who perceive and describe the EU as a system of multi-level governance², theories of European Integration have for a long time neglected the study of sub-national and local actors. Several studies have demonstrated the empowerment of local levels through, for instance, increased institutional representation in Brussels, such as in the Committee of the Regions, or in liaison offices set up by regions or municipalities. In addition, sub-national actors are more intensively included in implementing different EU policies, such as EU Regional Policy, or through new forms of policy-making, such as the open method of co-ordination (OMC). In addition, the private sector, non-governmental organisations and interest groups gain access to policy-making processes and increasingly interact with government institutions at all levels.

My perception of MLG in the EU sees the sub-national and local level as part of a polity that is characterised by a “classical” multi-level structure of directly and indirectly legitimised institutions and organs situated at EU-level, the member-state level and the sub-national level. In addition, “new forms” of governance, that is, formal or informal networks or functional units of cooperation, have been set up to foster efficiency and democracy. In my view, the status of sub-national and local levels in those structures is very ambivalent as are their strategies to cope with integration. Despite the fact that the governments of the member states agreed on the empowerment of EU institutions and conceded more influence to the local level, it is my argument that they continue to control even those policy-fields which provide easy access for new actors.

Furthermore, EU policies potentially endanger traditional concepts safeguarding a high degree of local-level autonomy. One example is the principle of local self-government, which is very advanced in the two countries that are the subject of this study, Germany and Finland.³

My focus is quite contrary to mainstream European Integration theory but very suitable for a combination of MLG theory and structural constructivist methodology.

The multilevelled nature of decision-making and implementation of the Community initiative LEADER+ with a variety of public and private actors situated at several levels invites one to do so. LEADER stands for “*Liaison Entre Actions de Développement de l'Économie Rurale*”, which means “Links between the rural economy and development actions”. LEADER+ was a Community initiative sponsored by the EU’s structural funds and financed by the Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF).⁴

However, by studying only the new functional governance units without placing them in a broader institutional and historical context, there is a risk of overlooking important reasons why the unit developed in the particular way it did and why certain actors act at the expense of others, and even dominate them at times. In other words, a misleading picture of the trends at local level is created if one only focuses on the new institutions and forms of interaction, while neglecting the study of “traditional” units within the multi-level polity.

² When proposing the term multi-level governance in his article “Structural Policy and Multilevel Governance in the EC” in 1993, Marks focussed on sub-national government and trans-national networks. See G. Marks (1993), p. 391-410. Research on the involvement of private actors, social partners and interest organisations – essential actors for many to define governance – was focussed on at a later stage, when multi-level governance has been further conceptualised. For recent conceptualisations, see L. Hooghe & G. Marks (2001); L. Hooghe & G. Marks (2003); and I. Bache & M. Flinders (2005). Kohler-Koch links EU and national governance. See B. Kohler-Koch (2003). Critical perspectives are provided in B. Kohler-Koch / M. Jachtenfuchs (2003).

³ On Germany, see M. Nierhaus (1996) or a dissertation by T. Schäfer (1998). The impacts of European integration on Finnish local self-government are intensively studied by Aimo Rynänen. For an introduction, see, for instance, A. Rynänen, A. (2003a).

⁴ The appendix contains a table to visualise the structure of the EU’s Regional Policy and the Structural Funds.

In my view, one needs to focus on both the *influence of government within governance* and on *new forms of governance*. Including older conceptions in the analysis, conceptions that are discussed in the context of local-government studies, such as local self-government and the principle of subsidiarity, and reflecting the potential change triggered by EU integration is of great importance. But there are several problems that occur in this respect:

- The sub-national and local levels differ in function and degree of participation, with differences even within one member state
- To grasp the changed function of the public sector, studies on the impact on local government are needed, for instance impacts on local self-government. But combining the study of local government and EU integration theory is rather rare.⁵
- While MLG is one of the few theoretical approaches to analyse the processes of EU integration by focussing on the sub-national and local level, it has some methodological shortcomings. It underestimates the role of public sector and government institutions located at higher-levels and their ability to preserve their powerful positions in the EU multi-level game. These actors continue to shape, construct and reconstruct policy-fields.
- The discourse is changing its focus from government to governance, focussing on new forms of network-type interactions but tending to neglect impacts on directly legitimised institutions

Hypotheses and Structure

The local level, as I approach it in this study, is very heterogeneous. Part of the multi-levelled EU, it includes the public sector in addition to private and social actors. Both the impact of European integration and local-level response are ambivalent. I will hypothesise that:

1. The public sector develops and takes part in new inter-institutional relations. Smaller units are disadvantaged compared to larger ones. At the same time, local level public administration seeks the involvement of private and social partners in policy-making and implementation.
2. Local level public administration as well as concepts and procedures meant to constitute and safeguard its autonomy, such as local self-government came under pressure in Germany and Finland with the EU further integrating and liberalising the internal market.
3. Horizontal cooperation between the public and private sector as well as the inclusion of social partners has been fostered by different EU policies, such as Regional Policy or LEADER+ and principles such as the partnership principle. However, higher levels of government within new governance units have reservations about delegating functions and empowering lower levels and tend to control and restrict local levels.
4. In addition to the institutional structures of each member state that determine the degree of involvement of non-public actors, the far sightedness of people in key positions at upper-levels is an important factor in how far the local level is empowered.

In Part II⁶ of this thesis I will test hypothesis 1 and 2, which relate to the status of government in governance. In Part III, I will provide the arguments for and test hypotheses 3 and 4.

Part II is both to provide a map of the institutional contexts in which MLG functions in Finland and Germany but also to draw a more realistic picture of the changes EU integration had on the function

⁵ In a review of “European Integration and Local Government” by Goldsmith / Klausen (eds.), Toonen comes to the same conclusion. The combined specialization in local government and European affairs still is “a rare mixture”. See T. Toonen (2000), p. 481.

⁶ The appendix contains the table of contents.

and role of the local level than some of the earlier studies on MLG have provided. In my view, studies on MLG have to focus both on the impacts on the public sector and additionally on the ability of new actors, such as local residents, social actors and interest groups to participate in new units of governance.

While on the one hand, and as a contribution to the debate of MLG in the EU, I will look at policy-making in the Community Initiative LEADER+, which involves public-private partnerships and local residents in addition to public administration, especially in the implementation phase. I will, on the other hand, analyse and compare the status of Finnish and German local-level administrations within the European system of MLG and their relations with actors at higher levels. By describing and referring to similarities and differences in the two countries I hope that much broader implications for the conceptualisation of MLG can be made than would have been possible by focussing on only one country.

Another valuable contribution is being able to demonstrate the differences, advantages and disadvantages of unitary and federal states in implementing EU public policies. In this context I would like to stress the fact that in some unitary states, for instance in Finland, one tends to decentralise functions to the local level to a larger extent than is the case in a federal state. The two countries differ in their administrative organisation, structure, and culture my approach resembles that of a “most different systems design”⁷ other scholars in the field have used as well. However, there are also a number of important commonalities. A common characteristic of the local level of public administration in both countries is that they have the most sophisticated forms of local self-government to be found in the EU.⁸ Thus, despite differences in the overall structure of the two states, local government has a core characteristic in common. In addition to that, in my view, the way their municipal levels are connected through individuals and interact with other levels is more important for the functioning of governance than the size of the entities to be analysed and the functions attributed to them on paper and in EU programmes.⁹

No EU public-policy functions autonomously in itself. Rather, it is embedded in the institutional structures of the member states and implemented by different actors positioned in those institutions, is subject to different interest constellations and strategies, and driven by the will to receive optimal outcomes and to manifest influence and power of individuals. Therefore, I intend to provide an analysis of the institutional contexts in both countries, too. The focus here will be on government within the governance of the Federal Republic of Germany and in the unitary Republic of Finland. Following a definition by Diez and Wiener, only by dealing with politics (thus not policy alone) is one able to demonstrate “how interest groups try to influence the policy-making process” and probably more important for this thesis “how particular groups are systematically disadvantaged by the dominant political style.”¹⁰

The main theoretical tool I use within my dissertation will be the concept of MLG. The concept of MLG is a rather new way to analyse processes of EU policy-making. It was initially meant to describe the interaction of multiple actors in EU Regional Policy and structural funding.

⁷ For a similar approach to analysing the Structural Policy policy-making cycle in Germany, Ireland and Sweden, see J. Lang (2003), p. 156.

⁸ Wollmann stresses in this context that “Germany's local government is traditionally marked by a *multi-function* model which, being more encompassing than most other local government systems world-wide, is probably matched only by the extraordinarily decentralised and functionally comprehensive local governments in the *Scandinavian* countries.” H. Wollmann (2002a), p. 68.

⁹ Baldersheim comes to the same conclusion claiming that “the European variation demonstrates that modern societies can live happily with all sorts of size patterns and functional divisions. What is important, however, is the pattern of co-ordination across levels of government, or the mode of multi-level governance.” Cf. H. Baldersheim (2002), p. 209.

¹⁰ See T. Diez & A. Wiener (2004), p. 18.

In 1993, as one of the “pioneers” in conceptualising MLG in the EU, Gary Marks described the EU as “a system of continuous negotiation among nested governments at several territorial tiers – supranational, national, regional and local”.¹¹

The concept of MLG is dynamic, open for further theoretical debate and invites deeper conceptualisation. I share Benz’s view that the concept is “very imprecise and only gives a direction for analysis. Clear statements as to functionality and momentum within non-hierarchical structures are seldom found”.¹² Therefore, Grande argues, it is very important to further advance it “from a descriptive metaphor to a theoretical concept and answer three questions: firstly, how do we precisely comprehend a system of MLG; secondly, what distinguishes the European system of MLG from other institutional forms of governance, and thirdly, specific requirements on governance in Europe result from the multi-level structure.”¹³ Approaching those three questions the researcher may, as Jachtenfuchs suggests, shift the research-focus onto micro-analyses in order to foster a better understanding of the European MLG system.¹⁴

For me this means that the research-focus needs to be not only on certain policy-fields but also on sub-fields. More precisely in my thesis, I will not only look at EU Cohesion Policy and the Structural Funds but also at the LEADER+ Community Initiative as being part of the EU’s cohesion strategy and financed by the structural funds. I am particularly interested in the status of local level actors in policy-making and the implementation of this policy that aims at improving the economic situation in Europe’s countryside.

*Structure of the Thesis*¹⁵

The thesis is divided into *three parts*.

In *Part I*, I will expound the *Theoretical Framework* of this study. Studying the process and history of European Integration allows one to get acquainted with several different theoretical approaches and theories describing the integration process of the European Union both in the past and currently. Those approaches differ in their ontology, epistemology and their explanatory and research-focus but for a better comprehension of both theory building and the integration process as such, they have to be analysed in their relation to other, competing approaches. This is because the development of theory building was often a result of critique of other approaches but also by self-critique and self-reflection.

Early theories of European integration, such as federalism, functionalism and transactionalism had a normative implication and were seeking answers as to how post-WWII Europe should be governed and what position should the nation-states occupy in the politico-administrative architecture of Europe. Wiener and Diez identified three phases in the development of integration theory that followed the phase they termed “normative proto-integration theory”.¹⁶ While from the 1960s onwards theories tried to explain the outcomes of integration and why integration takes place, from the 1980s onwards, according to Wiener and Diez, the focus shifted to the analysis of governance. Fundamental questions were concerned with “what kind of political system the EU is?”, “how can political processes within the EU be described?” or they touched technical issues such as “how does the EU’s regulatory policy work?”.¹⁷

¹¹ See G. Marks (1993), p. 392.

¹² Benz cf. E. Grande (2000), p. 13. The text is in German, and the translation is my own.

¹³ See E. Grande (2000), p. 13. The text is in German, and the translation is my own.

¹⁴ See M. Jachtenfuchs (2000), pp. 351.

¹⁵ The appendix contains the the thesis’ table of contents.

¹⁶ See T. Diez & A. Wiener (2004), p. 6.

¹⁷ See T. Diez & A. Wiener (2004), p. 7.

While the concept, which mainly inspired this study, MLG, appeared under this label in 1993/1994, the nineties and especially the end of the decade saw another important turning point in terms of theory building. Constructivist approaches, as I see them, were useful and successful in analysing the state of integration theory by providing meta-theoretical analysis and adding very useful and previously missing critical components.

In addition to highly important publications such as Christiansen, Jørgensen and Wiener's "*The social construction of Europe*"¹⁸ and other social constructivist research seeking to answer questions concerning the conceptualization of integration and governance in addition to "soft" issues such as identity formation, rules and norms in the Euro-polity, structural constructivist approaches, such as the one developed by Kauppi,¹⁹ are more concerned with "hard" facts in analysing the distribution of political power and inequalities in the availability of social resources. Due to some shortcomings in the MLG approach, I will use research methods applied in structural constructivist research in my empirical analysis.²⁰

In addition to a chapter dealing with several influential European integration theories, I will dedicate a whole chapter to MLG. Perceptions differ as to whether it is the state that dominates the institutional structures and decision-making procedures in the EU or if the EU rather represents a system of MLG allowing actors from multiple levels to get involved. The first view is held by state-centrist approaches to European Integration, such as liberal intergovernmentalism.

While Functionalism/Neofunctionalism on the one hand and state centric approaches such as liberal intergovernmentalism on the other have probably been the most prominent and influential theories and might have succeeded in describing and explaining the process of integration and the influential position of member state governments, they faced and face problems in analysing important trends that developed during the 1990s and continue to the present day. One example is the emerging share of competence not only between nation-states and the EU but also between sub-national levels and the EU or within the member states as such.

Other scholars filled this gap and described the European Union as a system MLG²¹. This system includes and invites a variety of actors – public, private and social – to participate in EU decision-making and implementation. In the meantime, the classical theories mentioned above did not lose their relevance. They are still used to successfully describe certain policy-fields or actor-relations and are still dominant in the discussion on major trends of European Integration. In addition – and more essential to my dissertation – they have contributed to the development of new approaches for analysing European Integration. The concept of MLG as the conceptual framework of this thesis is one of them.

Scholars of MLG argue that some decisive factors that determine sub-national involvement – but also the shifting back of tasks to the supranational level – are policy-fields as such²², the advancement of the project in question as well as institutional setting and administrative structure of the member states. It is important to note that the MLG model "does not reject the view that national governments and national arenas are important or that these remain the most important pieces in the European puzzle".²³

¹⁸ See T. Christiansen, K.E. Jørgensen & A. Wiener (1999).

¹⁹ See for instance, N. Kauppi (2005).

²⁰ On the research methods I chose for my empirical study, such as structured interviews, surveys or analyses of mid-term evaluations, see pp. 195-196. On research methods applied and concepts used in structural constructivist research, see, pp. 56-57.

²¹ I. Bache (1998); I. Bache & M. Flinders (2005); A. Benz & B. Eberlein (1999); K. Blank & L. Hooghe & G. Marks (1996); T. Börzel (1997); E. Grande & M. Jachtenfuchs (2000); L. Hooghe & G. Marks (2001); L. Hooghe & G. Marks (2003); M. Jachtenfuchs & B. Kohler-Koch (2003); G. Marks (1993); G. Marks (1996).

²² One example is Regional Policy with a strong involvement of sub-national actors as opposed to the Common Foreign and Security Policy (CFSP) where the member states have only very recently begun to give up slowly their opposition to increase Qualified Majority Voting (QMV).

²³ See L. Hooghe / G. Marks (2001), p. 3.

I will discuss the advantages and shortcomings of the MLG concept. While, as I said above, it is the first concept to scrutinise the position of local levels of public administration and other actors within the EU polity, I perceive it as too optimistic in the degree of influence it ascribes to local levels. Some authors even go so far as to declare the EU a post-political and non-hierarchical polity. Learning from and combining MLG with other concepts, such as structural constructivism,²⁴ helps to reveal some of the “hidden” aspects of EU integration and paint a more realistic picture of multi-level interaction.

Part II will analyse the public sector, namely, the government component in the system of MLG. My focus is on the sub-national and local level in Finland and Germany. I will show how the sub-national level and local governments are embedded in the EU’s multi-level structure of governance and how, through EU integration, those levels have been empowered but also how their scope of action has partially decreased. I also wrote this chapter in order to provide the reader with information on the institutional contexts that the Community Initiative LEADER+ is embedded in. I will position the German *Länder* and municipalities in co-operative federalism and discuss such concepts as *Politikverflechtung*²⁵ and local self-government. As far as Finland is concerned, I will have a look at traditional and new forms of regional administration as well as the local self-government of Finnish municipalities.

After those introductory observations, I will analyse the impacts of EU integration on the sub-national and local levels. I have dedicated one section to local levels in Finland and Germany and on major constitutional and legal reforms that originated at EU level and affected the level being closest to the citizen.

The concept of local-self government and the way it is realised in both countries will be carefully analysed. I will argue that both countries have developed the most sophisticated forms of local self-government to be found in the EU. But they were threatened by process of European integration and developments within the nation-state.

In another section I will discuss the status of the German *Länder*. After several reforms within the Federal Republic, the position of the *Länder* as actors in EU issues has improved considerably. This is mainly due to Article 23 of the Basic Law. However, from the position of the *Länder* parliaments this empowerment remains rather ambivalent. While the position of the *Länder* governments has improved, the power of the *Länder* parliaments was not increased. The reforms meant a change from legislative to executive federalism.

The last section of chapter III is an empirical reflection on German municipalities and their self-perception of being part of the EU’s multi-level system of governance.

In theory, local level actors increasingly have the ability to take part in policy formulation and decision-making. However, if one takes a closer look, as I have done in this paragraph, different EU procedures and programmes did not necessarily favour all of them. The municipalities’ situation is rather ambivalent.

In *Part III*, I will discuss patterns of interaction among different actors from all the levels involved in the EU’s Community Initiative LEADER+. As Hjerpe, Voipio and Ilmakunnas have argued, the implications of those new rural policy measures for regional development in Finland have “remained largely unresolved by research”.²⁶

²⁴ For a definition and possible research agenda, see N. Kauppi (2005), pp. 22 ff.

²⁵ The theory of *Politikverflechtung* was developed by Fritz Scharpf. It was initially meant to analyse decision-making systems with multiple decision-makers involved and the conditions in German cooperative federalism that lead into joint-decision traps. The theory has also been tested in the EU context by Scharpf and others. For an introduction, see F. W. Scharpf, W. Reissert & F. Schnabel (1976).

²⁶ See R. Hjerpe, I. Voipio & S. Ilmakunnas (2000), p. 49.

I will analyse how different actors construct and shape EU financed rural development and show that although implementation is decentralised, the central state level in Finland and the *Länder*-level in Germany both remain very powerful. Based on the problems local level actors described in my survey, I will outline possible reform scenarios.

Part III will start with a historical and institutional contextualisation of the EU's structural funds in general and the Community Initiative LEADER+ in particular. It is important to show how LEADER+ is administered in Finland and Germany.

While LEADER+ offers considerable influence to local levels and according to the Commission "should play (an) important role in improving governance and mobilising the endogenous development potential of rural areas"²⁷, and for that end requires the inclusion of non-public actors, a closer look reveals that much power remains with administrative units located at higher levels. As far as Finland is concerned, the central-state level is engaged in bargaining over the overall financial framework of the EU's budget as well as the proportions for Regional Policy and LEADER+. Furthermore, the Ministry of Agriculture and Forestry is the administrative and paying authority in the Finnish LEADER+ programme. In the Federal Republic of Germany, there is not a single national LEADER+ programme. Instead, all the *Länder*²⁸ have set up their own programmes. This does not mean that the federal level is de-coupled from this policy-field. In negotiating the overall budget for the structural funds, it continues to be in a very powerful position.

In the last chapter of Part III, I present the results of my empirical study on the status of German and Finnish local actors in the Community Initiative LEADER+. I have analysed the forms of participation and the perceived influence of local level actors in this policy-field. It will also be seen that network-type relations (both open and closed) are characteristics of this policy-field.

I was mainly interested in how local actors organised in so-called local action groups (LAGs) cooperate with other administrative units within the LEADER+ administrative chain. In addition, I examined intra-institutional relations within those groups. This step was taken in order to find out who are the most influential and powerful actors within the LAGs and whether there are differences in this respect between a federal state and a unitary state. Another crucial point of investigation was on the interaction of public and private actors not taking part in the LAG or the LEADER+ programme, especially local residents. Do LAGs have the potential to attract and mobilize these actors or even bring the EU closer to them?

I invited LAGs from all over Germany and Finland to participate in a survey based on a questionnaire. I supplemented and completed the survey by interviews based on an evaluation of the results of the questionnaires. I interviewed LAG members, LAG-managers, several civil servants from Finnish and German decision-making and managing authorities and a civil servant from the EU Commission.²⁹

The local level is vital for the EU for several reasons. EU institutions, above all the Commission and the Committee of the Regions, increasingly seek cooperation with private and public actors at local level and very importantly, also with the citizens. Local levels of government are not only important in that local-level public administration implements EU public policies. As they are functionally the lowest level of the EU, they are also the closest to the people. I am convinced that to neglect research of the local level of the European Union is to exclude a very important level of governance within the EU.

²⁷ See COMMISSION OF THE EUROPEAN COMMUNITIES, COMMISSION STAFF WORKING DOCUMENT Annex to the Proposal for a Council Decision on Community strategic guidelines for Rural Development COM(2005) 304 final; SEC(2005) 914, p. 7.

²⁸ This is with the exception of the city-states Berlin, Hamburg and Bremen.

²⁹ The appendix contains a list of interviews.

Findings and Conclusion

EU integration scholars shifted their attention to the local level only at the beginning of the 1990s with the concept of MLG. This was a crucial step. In order to fully understand the process of European integration it is of paramount importance to consider developments at the sub-national and local level. The EU has constantly expanded its activities to cover an increasing number of areas and policy-fields. It is not just member states and their meso-levels³⁰ that are affected. Local administrations in implementing EU regulations and guidelines, for instance, are increasingly operating under the influence of EU integration and Europeanization. New functional units, such as LEADER+ LAGs, have been set up to deal with particular policy-tasks and offer new options to participate in EU sponsored policies and to receive additional resources. It is not just public administrations that are involved in these units, but economic and social partners and local residents. I am convinced that to neglect the inclusion of the local level, as some of the “grand theories” of European integration do, leads to the exclusion of the most important level of governance within the EU. The local level is vital for the EU for several reasons. And not just because local public administrations implement EU legislation and policies. Being the lowest functional level of the EU, it is the closest to the people and has the potential to make the EU visible to the people. It is at local level that local residents have, to some extent, access to and participate in policy-making. However, despite increasing inclusion of the sub-national and local level in EU policy-making, most prominently in policy-implementation, the member states and EU institutions remain the key players in the current EU multi-level polity.

To conclude, I would like to highlight four sets of arguments based on my findings:

1. Local-level actors – both public and private – have become important actors in EU policy-making and take part in new inter-institutional relations. In my view, smaller units are disadvantaged compared to larger ones. One example I provided in Part II is the status of municipalities and their access to information regarding Regional Policy. In Part III, I highlighted the fact that LEADER+ local action groups are demanding further decentralisation. Respondents to my survey stated that in Germany as far as LEADER+ is concerned, public administration has more weight in local action groups. In Finland, local residents have most weight. Local-level public administration in both countries seeks the involvement of private and social partners in policy-making and implementation. The prime example I discussed in Part III is the principle of tri-partition. However, local residents are only to a very limited extent interested in EU sponsored rural development policies. Finnish LAG members were more optimistic that they had succeeded in bringing the EU closer to the people than their German counterparts.
2. In various EU policies, such as Regional Policy or LEADER+, horizontal cooperation between the public and private sector and the inclusion of social partners has been fostered due, for instance, to the partnership principle. However, the findings of my empirical analysis reveal that the higher levels of government within new systems of governance (MLG type II) also have reservations about delegating functions and empowering subordinate levels. If they do, or have to do this, they tend to control and restrict the local level. This was particularly the case in Germany, where LEADER+ was much more centrally controlled than was the case in Finland.
3. The Finnish central-state level, in the case of LEADER+ the Ministry of Agriculture and Forestry and the *Länder* level of government in Germany as the managing authorities continue to occupy the most influential positions. They are the “national decision-making centers”³¹, to borrow Kauppi’s term. They occupy this position for several reasons.

³⁰ On the different forms of meso-level tiers of government in the EU, see T. Larsson (2000).

³¹ See N. Kauppi (2002), p. 19.

They selected the LAGs, decided on LAG applications, co-ordinate actor involvement, and negotiated the overall financial framework with the EU Commission. They also, in the case of some German *Länder*, re-structure administrative channels and recentralise power. While the institutional structures of each member state determine the degree of involvement of non-public actors, I have demonstrated in Part III that the far sightedness of people in key position at higher level is also an important factor in how far the local level is empowered. Individuals in key positions play a decisive role in deciding on how and indeed if resources are to be distributed and who is to become part of the game. In Germany as far as LEADER+ is concerned, I observed practices that did not correspond to the underlying principle of a bottom-up policy. A full-fledged decentralisation did not always take place. In Finland, having a central programming level³², different actors from the local area have been included more carefully in local action groups, since the principle of tri-partition³³ has been chosen as the underlying principle for structuring the groups' executive committees. LEADER+ is much more decentralised in Finland than is the case in some parts of the Federal Republic of Germany.

4. When it comes to the status of local government in governance, principles and procedures that were meant to constitute and safeguard its autonomy, such as the principle of local self-government, these came under pressure in Germany and Finland with the EU further integrating and liberalising the internal market. In my view, there is a clear need to clarify and specify new rules and principles written down in EU and national treaties to allow for the early involvement and secure participation of the local level, such as the principle of subsidiarity.

To formulate points made above slightly differently, EU integration changed the formal and informal inter-institutional relations linking the different levels of government. In addition, the private sector including non-governmental institutions and interest groups gained access to policy-making processes and increasingly interact with government institutions at all levels of public administration. These developments do not necessarily result in the empowering of the local level as one might have expected from reading the initial and underlying programmes. Actors at the top-end of the bottom-up stream defend their positions and prevent this from happening, as LEADER+ in Germany shows. Another very interesting phenomenon to be observed in a number of unitary member states is the creation of regional tiers of government, which became necessary to implement EU policies. This phenomenon does not necessarily lead to a decentralisation of influence. On the one hand, as far as Finland and EU Regional Policy is concerned, I would argue that it has strengthened the central state's representation in the regions. On the other hand, using LEADER+ as an example, programme implementation is much more decentralised, compared to many German *Länder*, and Finland is a prime example of multi-actor inclusion in policy-making.

The concept of MLG paved the way for analysing the position of sub-national level actors in EU governance. I agree with Jordan who has convincingly argued that the MLG approach has its weaknesses as concerns the sub-national level. Referring to research by Pollack and Bache, he claimed that MLG "greatly overstates the autonomy of sub national actors even in policy areas where one would expect it to perform quite well".³⁴ My findings support this argument. In my view, in order to develop the concept further, some of its assumptions need to be rethought.

³² See section *V.1. General Remarks on the Community Initiative LEADER+* of this thesis

³³ In Finland, the LAGs' executive committees are composed according to the principle of tri-partition (one third local residents, one third public administration and one third local businesses).

³⁴ See A. Jordan (2001), p. 201.

This concerns for instance the power of national actors (in the case of Germany the *Länder*-level) or national hierarchy. At the very least, more consistent definitions of what scholars mean by these concepts are needed.

It might be of great value if scholars of MLG more intensively debated with protagonists of other concepts. A basic comprehension of other theories of EU integration is fundamental. They can give access to developments taking place where these policies are shaped. As Jordan puts it: “The big, constitutive decisions (Pollack, 1994) studied by state-centric theorists are important because they determine the EU’s operating framework of laws, policies and norms within which MLG takes place. Consequently, multi-level governance needs to be viewed in the context of older, ‘macro’ theories of the EU.”³⁵ In my view, to interconnect MLG with other approaches such as structural constructivism might be appropriate in order to develop a proper theoretical framework for empirical reality. This concerns, above all, the problems observed in the multi-level polity. In this respect, structural constructivist methodology was of considerable help to me.

Linking my empirical findings to European integration theory, it is my conclusion that a grand theory is ill-suited as far as a theoretical framework for studying local phenomena in a multi-levelled polity is concerned. In my view, given that the EU polity is or resembles Burgess’s “political, economic, social, and legal hybrid that is characterized by a combination of federal, confederal, supranational, and intergovernmental features”³⁶, no single and general theory of European integration can be established. Being aware about developments in the “other” camp, that is, about the ontology of other approaches, not only enables one to discuss and test one’s own assumptions but also helps to complement one’s own approach. The result is not necessarily a new “grand theory” but, as Diez and Wiener argued, one’s findings and contribution to conceptualising this approach is a stone in an “always-incomplete mosaic” and contributes to the construction of a “multi-faceted picture of integration”.³⁷ These authors see “each approach as a stone that adds to the picture that we gain from the EU” and “new stones” change the picture which means that it is “likely to remain unfinished”.³⁸

I share Checkel’s view that for theorising on integration, “general theories of integration should be put aside in favour of partial frameworks with clearly specified micro-foundations – be they economic or sociological.”³⁹

One lesson I drew from structuring my empirical observations is that it is fruitful to apply two mid-range approaches that complement each other – in my case MLG and structural constructivism. Checkel would probably agree with this step in so far as he argued that a more intense interaction of theory and empirics “helps scholars delimit the scope of their claims, thus creating space for analytical competitors. The point is not to make all schools happy; rather it is to bring our models closer to the empirical reality we observe on a daily basis.”⁴⁰ My understanding of the ontology of MLG forced me to look for other approaches and their methodologies to study ‘the local’ in MLG. Both MLG and structural constructivism are suitable approaches for analyzing multi-level, multi-actor interaction in the implementation of EU structural funds. While the former has served as a basis for a number of groundbreaking studies as regards this policy field and has been helpful in mapping the overarching institutional structure, it has been criticised for being too descriptive and uncritical. This is where structural constructivism proves to be very helpful. It has potential to solve one dilemma of the MLG approach which provides a suitable image of institutions and levels, of how they are linked but fails to provide clear answers to the question whether interaction is hierarchical or not or why are there regional differences as to the distribution and monopolizing of

³⁵ See A. Jordan (2001), pp. 196-197.

³⁶ See M. Burgess (2004), p. 40.

³⁷ See T. Diez & A. Wiener (2004), p. 16.

³⁸ *Ibid.*, p. 19.

³⁹ See J.T. Checkel (2001b), p. 241.

⁴⁰ See J.T. Checkel (2001b), p. 243.

power. Structural constructivism is appropriate for studying redistributive policies, such as LEADER+ since one of its assumptions is that redistribution has a decisive role in establishing political authority. As Bourdieu has argued and shown, “the conversion of economic capital into symbolic capital” is the “central operation of this process” and “produces relations of dependence that have an economic basis but are disguised under a veil of moral relations”.⁴¹ Structural constructivism helped me in “revealing the hidden power mechanisms” and enabled me to demonstrate “through what mechanisms political agents reproduce and transform the European political order.”⁴² MLG was very useful in mapping and analysing the general structures of LEADER+ in Finland and Germany.

Previous structural constructivist research stimulated me to focus on the actors embedded in those structures, on their perceptions, their behaviour, their social characteristics and their economic, social, cultural and symbolic capitals. Zooming in on the agents helped me to better understand how policy-making structures are constructed in both countries, and by whom and where power is situated and specifically with whom.

Hirst rightly criticised the governance discourse for tending to ignore the considerable strengths of the democratic nation state and its “purported monopoly of competence in determining who shall govern what and how”.⁴³ While he is right in arguing that government “in the classical liberal sense” is less and less a reality, in my view he remains too optimistic in demanding “new methods of control and regulation that do not assume the state or the public sector has a monopoly of such practices.”⁴⁴ Although in the Finnish case one comes quite close to this ideal, the German case shows that most of the power and influence remains with the public sector. One explanation for the reluctance of some managing authorities to trust subordinate levels is their wish to accumulate symbolic capital. Staff from the ministry need to control the decisions of those below them, since they are on top and part of the prestigious MINISTRY.

The struggle for various capitals is somewhat mitigated in Finland with the inclusion of tri-partition but, as my findings from Germany show, still a feature of rural development policies in the EU. Shucksmith came to a similar conclusion in analysing LEADER in England:

“There is a tendency for endogenous development initiatives to favour those who are already powerful and articulate, and who already enjoy a greater capacity to act and to engage with the initiative. This may even lead to a capturing of the initiative by elites or sectional interests, in extreme cases. More marginalized groups are less able to participate or engage with the programme, and are less likely to be empowered unless explicit attention is given to their inclusion.”⁴⁵

In combination, both MLG and structural constructivism can contribute to a better understanding of how policy-making functions and how, where and why problems and dysfunctions arise. They can contribute to a realistic and more nuanced picture of local and sub-national levels in the multi-levelled EU. This concerns not only the negative impacts of integration but also the empowerment of local and sub-national actors in new modes of governance constructed in the process of European integration.

In my view, a dialogue between different disciplines studying the EU is much needed. As Simon Bulmer has argued “the lack of interdisciplinary dialogue have risked confining European integration to an intellectual 'ghetto' within the social sciences”⁴⁶.

⁴¹ See P. Bourdieu (2006), p. 123.

⁴² See N. Kauppi (2005), p. 39.

⁴³ See P. Hirst (2000), p. 33.

⁴⁴ See P. Hirst (2000), p. 22.

⁴⁵ See M. Shucksmith (2000), p. 215.

⁴⁶ S. Bulmer cf. V. Guiraudon & A. Favell (2007), p. 10.

Responding to Andrew Jordan's call for more case studies in order to conceptualise MLG further,⁴⁷ I started to develop this study on LEADER+.

As a first step, it was important to comprehend the institutional structures created by national and EU law in which this policy field is embedded. To this end, I dedicated the whole of Part II to the analysis of sub-national and local levels in the national setting and as part of the EU's multi-level system of governance.

The overall assessment was very ambivalent in nature. Local government, the principle of self-government and the municipal level in the system of EU MLG have been, through the process of European integration, strengthened legally – for instance in Article 3b of the *Maastricht Treaty* and in the 2004 *Constitutional Treaty* – or by institutional reforms, for instance the creation of Regional Councils in Finland. Despite the fact that local-level actors found and established new forms of representation and cooperation in EU policy-making, these new channels and institutions are not equally open and accessible to all. Grawert makes us aware of one critical pre-condition of municipal participation in multi-level decision-making processes. That is their “financial and administrative power”, for instance, in terms of personnel, which influences their ability to react to “decisions by higher level administrations”.⁴⁸ His argument corresponds to the findings in my study on German local-level administrations' self-perceived role within the EU. As one respondent put it “*the core problem is the lack of resources. It is impossible to search thoroughly and systematically for different modes of funding.*”

Overall, respondents to this study as well as many scholars treat EU Regional Policy as a rather positive example of MLG. This concerns not only economic benefits but also participation. New actors – both public and private – have been offered the chance to participate. Note also that the administration of the funds was decentralised with the 1988 reform, which also introduced the partnership principle.⁴⁹

However, one should not overlook the fact that the central state level continues to play a decisive role in deciding the overall budget and in controlling implementation processes. Indeed its control is greater than the underlying legislation actually demands or expects.

Furthermore, the ability to circumvent the national level by addressing one's interests directly through Brussels does not necessarily mean that those interests will find acceptance in the form of treaty amendments.

In addition to these new modes of governance, I discussed the impact of EU integration on sub-national and local government and on principles that guaranteed a high degree of self-government in the two national settings. The EU and its liberalisation policies have earned much criticism from local authorities. This criticism concerned the traditional provision of public utilities, regulations regarding state aid for public services and public procurement law eroding aspects of local-self government.

Academia criticises the EU for “communal blindness” in general and “social and ecological blindness” in particular.⁵⁰ At the same time, in the national setting the politico-democratic dimension of local-self government has been strengthened by the introduction and expansion of direct democratic elements and by doing so, has fostered the aspect of governance within the

⁴⁷ See A. Jordan (2001), p. 204.

⁴⁸ Grawert cf. M. Pfeil (1994), p. 327.

⁴⁹ In their study on “Partnership at municipal level in rural policy implementation”, Kiviniemi, Mustakangas and Vihinen found that in Finland, the power of the public, private and voluntary sectors is changing. Corresponding to what I found in my study on the German local level, and in Finland regarding local-level involvement in Regional Policy, much depends on the activity of individuals, not only in building networks locally but in trying to find partners region-wide. For an English summary, see M. Kiviniemi, E. Mustakangas & H. Vihinen (2003), p. 4.

⁵⁰ See A. Ryyänen (2003a), pp. 12 ff. and H. Wollmann (2002c), p. 20.

German politico-administrative system.⁵¹ While there have been forces at work – mainly economic and legal in nature – penetrating and jeopardising local self-government, its “political profile” has been strengthened to some degree. I agree with *Banner’s* claim that the *Bürgerkommune* (or the Finnish *kansalaiskunta*), which he defines as being committed to developing further participatory democracy, fostering the local community, maintaining social coherence and fostering civic self organisation, is still far from being an ideal type but that the past few years have witnessed some positive trends.⁵² During the process of EU integration the sub-national and local level has been strengthened as well. For instance, in the 2003 Draft Treaty Establishing a Constitution for Europe the principle of subsidiarity was explicitly mentioned in a constitutional treaty for the first time, and explicitly mentions the local level.⁵³

Furthermore, on the grounds of infringement of the principle of subsidiarity by a legislative act, the Committee of the Regions may also bring actions to the European Court of Justice (ECJ).⁵⁴ The Committee of the Regions can be seen as an important channel to EU institutions, as well.

While these trends must not be neglected, and despite the fact that empowerment has taken place, one should be cautious and not underestimate the status of the nation state in the multi-level polity. As I tried to demonstrate in Part III with my empirical study of the Community Initiative LEADER+, the state and its institutions have preserved their influence and continue to shape outcomes.

Probably the most important question to be elaborated in the context of the diffusion of the member states’ authority concerns their motivation in doing so. Is it to enhance efficiency or to tackle the democratic deficit by closer involving those that are affected by policy-making? It is my argument that the further involvement of local level actors was intended to enhance both democracy and effectiveness but as I have shown, with the emphasis more on effectiveness. At the end of the day governmental institutions have the final word.

In approaches that proclaim a Europe of the Regions, the argument is made that the regions have been empowered at the expense of the old nation states. “Hollowing-out” the nation states –one of the arguments brought forward in this context – is also propelled by the Commission’s wish to circumvent the nation-state level to interact directly with sub-national actors. In my analysis of the Community Initiative LEADER+, which is a prime example for multi-level interaction and, as the name suggests, a policy initiated by the EU, I came to a different conclusion. Although local action groups are the central actors in implementing LEADER+ projects, I found that managing authorities were the most powerful actors in LEADER+. In Finland, as in the majority of the EU member states, the managing authority is situated at the central state level, whilst in Germany the responsibility for managing LEADER+ is with *Land* ministries. While the argument has been made that the multi-leveled EU is non-hierarchical,⁵⁵ my findings, especially as far as relations at the local level is concerned, are based on persuasion as debate rather than on persuasion as manipulation.⁵⁶

⁵¹ The directly elected executive mayor and the ability of either the electorate or the council to recall him fall into the same category. On the introduction and widening of direct democratic procedures and elements, see H. Wollmann (2002a), pp. 73 ff.

⁵² See G. Banner (1998), p. 184.

⁵³ See the Draft Treaty Establishing a Constitution for Europe, Article I-9: Fundamental principles, Paragraph 3.

⁵⁴ See “Protocol on the Application of the Principles of Subsidiarity and Proportionality” attached to the Draft Treaty Establishing a Constitution for Europe.

⁵⁵ Hix, for instance, perceives governance in the EU as a system that is “multi-level, non-hierarchical, deliberative and apolitical, via a complex web of public/private networks and quasi-autonomous executive agencies”, S. Hix cf. A. Sbragia (2000), p. 220. For others, hierarchy and the way government institutions and the state can steer or influence decisions and processes in governance are the most important issues for future research on governance. See T. Börzel (1997).

⁵⁶ On the differences, see J.T. Checkel, (2001a), pp. 220-223.

However, some groups, so the respondents argued, have more weight. Some interviewees thought this was necessary. Whether it is perceived as domination depends on how actors in higher positions communicate their influence. In this context I would like to add that the results of my analysis also reveal that “good relations” with higher level authorities – that is informal contacts – are very important, too. One problem is that such relations can also lead to the exclusion of potential actors. Thus, further integration can also lead to disintegration. While some protagonists of the concept of MLG argue that a growing number of local or regional level actors seek participation, this, as I have demonstrated, varies.

Hirst, too, found that it often proved difficult for newcomers to gain entry. The problem with “local-level social governance” is its exclusivity. Members have exclusive benefits.⁵⁷

Furthermore, even if more actors are able to participate, not all of them are necessarily included in the decision-making process itself. The number of these actors “is kept small”.⁵⁸

If I compare Finland, a central state, to Germany I have to say that the implementation of LEADER+ projects in Finland is much more decentralised. This argument is based on my analysis of various aspects, such as the principle of tri-partition, which made the involvement of local residents in addition to public administration and local enterprises in Finnish local action group steering committees obligatory.

In Germany, local residents are often only poorly involved, while many interviewees and other informants in Finland perceived them as the core actors in Finnish LAGs. In some German *Länder*, LEADER+ is more “government-dependent policy” than a new governance model “for autonomous regional and local development”.⁵⁹

Another impression I received from surveys and interviews was the higher authorities’ lack of trust in sub-ordinate levels. My argument that the situation in Finland is somewhat different was shared by an interviewee from the EU Commission’s LEADER+ Observatory, who summarised his experience with Finnish authorities and their pragmatism as follows:

“... they trust people, the human dimension of development. They focus on people and not on systems or organisation of institutions. The Finns are very practical. They are really oriented towards finding solutions. Rules do not have an absolute value; Finns always find ways to solve problems pragmatically. This is what I like in Finland.”⁶⁰

One important issue for future study concerns local residents and strategies to improve their awareness of EU sponsored rural development policies. Here the most fundamental practical questions are if and how a more thorough decentralisation might be realised. Is it possible, as the majority of the respondents were demanding, to empower the LAGs further and how? Despite problems mentioned by interviewees and respondents and discussed in this thesis, tri-partition as applied in Finland should serve as a model for similar policies in other EU member states.

⁵⁷ See P. Hirst (2000), pp. 13 ff.

⁵⁸ See A. Benz (1998), p. 564.

⁵⁹ See K. Bruckmeier (2000), p. 225

⁶⁰ Interview 16, conducted on 09.06.2006. A list of interviews is attached and to be found in the appendix.

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APPENDICES

Interviews Conducted

Interview-number	Interviewed Person	Date
1	Manager of a LAG from Sachsen-Anhalt	30.12.2003
2	Head of a LAG from Sachsen-Anhalt	30.12.2003
3	Senior civil servant from a <i>Verwaltungsgemeinschaft</i> in Sachsen-Anhalt	19.05.2004
4	Head of a LAG from Eastern Germany	22.02.2005
5	Manager of a LAG from Northern Germany	04.05.2005
6	Senior civil servant from the Finnish Ministry of Agriculture and Forestry (managing authority)	23.08.2005
7	Corporate analyst from a TE Keskus in Southern Finland (decision-making authority)	12.01.2006
8	Senior inspector from a TE Keskus in Central Finland (decision-making authority)	20.01.2006
9	Area manager from a regional development agency in Eastern Germany	16.02.2006
10	Corporate analyst from a TE Keskus in South-Eastern Finland (decision-making authority)	24.02.2006
11	Civil servant from a TE Keskus in Western Finland (decision-making authority)	14.03.2006
12	Civil servant from a decision-making authority in Baden-Württemberg	08.05.2006
13	Civil servant from a decision-making authority in Sachsen	09.05.2006
14	Civil servant from the <i>Ministerium ländlichen Raum, Ernährung, Landwirtschaft und Verbraucherschutz Niedersachsen</i> (managing authority) – Answered the questions I sent in written form.	10.05.2006
15	Civil servant from a decision-making authority in Niedersachsen	10.05.2006
16	Civil servant of the DG Agriculture, LEADER+ Observatory, European Commission	09.06.2006
17	Civil servant from a decision-making authority in Schleswig-Holstein (decision-making authority)	20.06.2006

**EU STRUCTURAL AND REGIONAL POLICY 2000
-2006**
(213 billion €)

STRUCTURAL FUNDS
(195 billion €)
- European Regional Development Fund (ERDF)
- European Social Fund (ESF)
- Financial Instrument for Fisheries Guidance (FIFG)
-Guidance Section of the European Agricultural Guidance and Guarantee Fund (EAGGF)

COHESION FUND
(18 billion €)
Set up in 1993
Countries concerned: E, GR, P and IRL
Contributions to major projects in environmental policy and transportation.

Priority Objectives
94% (182,45 billion €) of the Structural Funds are concentrated on 3 Priority Objectives

Community Initiatives
5,35% (10,44 billion €) of the Structural Funds are concentrated on 4 Community Initiatives.

Special support for fisheries
0,5% (1,11 billion €) of the Structural Funds for:
- creating a sustainable balance between marine resources and their use;
- making firms more competitive;
- improve the supply and development of fishery and aquaculture products;
- helping revitalise areas dependent on fisheries.

OBJECTIVE 1
(135,90 billion €)
Helping regions whose development is lagging behind to catch up, i.e. providing them with basic infrastructure which they continue to lack or encouraging investments in economic activity.
Covers about 22% of the EU's inhabitants
Funds concerned: ERDF, ESF, EAGGF, FIFG

OBJECTIVE 2
(22,50 billion €)
Supporting economic and social conversion in industrial, rural, urban or fisheries-dependent areas facing structural difficulties. Objective 2 covers around 18% of the EU's population
Funds concerned: ERDF, ESF

OBJECTIVE 3
(24,05 billion €)
Modernising systems of training and promoting employment.
Covers the whole of the Union except for the Objective 1 regions

Interreg III
(4,875 billion €)
promotes cross-border, transnational and interregional cooperation, i.e. the creation of partnerships across borders
(financed by the ERDF).

Urban II
(0,7 billion €)
Concentrates on innovative strategies to regenerate cities and declining urban areas
(financed by the ERDF).

Leader +
(2,020 billion €)
Concentrates on rural areas to foster new local strategies for sustainable development
(financed by the EAGGF Guidance Section).

Equal
(2,847 billion €)
Seeks to eliminate inequalities and discrimination in the labour market
(financed by the ESF).

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