

La gestión de la solidaridad europea: Los programas INTERREG
en la región fronteriza Galicia-Norte de Portugal

*The Management of the European Solidarity: The INTERREG
Programmes on the Border Region Galicia-North Portugal*

Luís DOMÍNGUEZ
Universidade de Vigo (España)
dominguez@uvigo.es

Elvira VIEIRA
Instituto Superior de Administração e Gestão (Portugal)
elvira.vieira@isag.pt

Pedro FERREIRA
Universidade Lusíada de Famalicão e Instituto Português de
Administração de Marketing (Portugal)
pedroferreira@fam.ulusiada.pt

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ABSTRACT

The gradual integration of the European Union, at different levels, particularly in the Euro Zone, has given cooperation a wide projection. Territories which would, *a priori*, be divided by frontiers, are now part of the same geographic field, with fewer factors that divide them. The development of joint projects and partnerships, apart from representing a sustainable and smart way of managing resources, it allows them to increase the economic and social development potential. In this context, the Community initiative INTERREG constitutes one of the most important tools for raising funds and it is used for implementing projects that would not be easily achieved without this support. The aim of this study is to analyse the influence of the projects implemented within the framework of INTERREG (I, II and III) on the development of the territories in the so called Raia Ibérica (Portuguese-Spanish border region), particularly in the border regions Galicia and North of Portugal. This objective will be achieved through the identification of the characteristics of the projects developed and their managing organisations, the allotment of the approved funding, the most favoured economic sectors, population and geographical changes of territories and the main socio-economic impacts, among other factors.

Keywords: Cross-Border Cooperation, INTERREG, Galicia, North of Portugal.

JEL Classification: H7.

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RESUMEN

La progresiva integración de la Unión Europea, en los más diversos niveles, particularmente en la Zona Euro, ha conferido a la cooperación territorial una amplia proyección. Territorios que, a priori, estarían divididos por fronteras físicas, forman parte, ahora, de un mismo ámbito geográfico, existiendo cada vez menos factores que los separen. El desarrollo de proyectos comunes y compartidos, más allá de representar una forma sostenible e inteligente de gestión de recursos, les ha permitido incrementar sus respectivos potenciales de desarrollo económico y social. En este contexto, la iniciativa comunitaria INTERREG constituye uno de los instrumentos más importantes de captación de recursos para la ejecución de proyectos que sin apoyo comunitario difícilmente serían llevados a cabo. Con este estudio pretendemos analizar la influencia que los sucesivos INTERREG (I, II y III), han tenido sobre el desarrollo de los territorios del norte de la raya ibérica, específicamente en las regiones fronterizas de Galicia y Norte de Portugal, identificando entre otros factores, las características de los proyectos desarrollados y las respectivas entidades gestoras, distribución de la financiación aprobada, sectores económicos más beneficiados, cambios geográficos y demográficos de los territorios y principales impactos económicos y sociales.

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Palabras clave: Cooperación transfronteriza, INTERREG, Galicia, Norte de Portugal.

Clasificación JEL: H7.



1. INTRODUCTION

The origins of regional politics in the UE date from the first enlargement, with the accession of the United Kingdom in 1973. As this territory could not guarantee a return of assets to Brussels, it successfully lobbied the reception of aid for the declining industrial regions through agricultural subsidies. Regulation 724/1975 established the European Regional Development Fund (ERDF), endowed with only 5% of the Community budget and aimed at complementing national policies for regional development. Since 1979, the ERDF stopped being a mere instrument for coordinating national policies and started to be a financing instrument for Autonomous Community policies with the establishment of the “non-quota section”, which meant that 5% of the funds would be managed by the Commission. Regulation (EEC) 1787/84 transformed the system of fixed quota per state for the allotment of 95% of ERDF in a bifurcated system, with a minimum and maximum guaranteed limit that could be achieved only if the corresponding state presented development programmes in line with the priorities established by the Community, indicating that the Commission should take into account the cross-border nature of the areas and regions involved in the respective national programmes and that the member states should favour cooperation between regional and local organisations. At the same time, Community programmes were originated. These programmes, in force between 1985 and 1989, were characterised by being multiannual, involving several member states and guided by the priorities of the EU policies previously defined.

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The Single European Act (1986) meant an advance on the implementation of the single market, and at the same time, the establishment of economic and social cohesion as a community policy with a high degree of territorialisation, with regions as central geographical reference. In order to achieve the objectives of territorial convergence, there was a profound reform of the structural funds aimed at supporting this process financially. Thus, Regulation (EEC) 2052/888, called Framework Regulation, concerning the funds with a structural aim and their effectiveness with the explicit objective of diminishing the differences between the regions of member states and the underdevelopment of the regions affected by a severe state of industrial decline. This Framework Regulation caused the approval of various development regulations. The most important, concerning this study, are Regulation (EEC) 4254/88, concerning the implementation of ERDF which, in its article 10, foresees the funding of studies and research projects of pilot schemes, always by initiative of the Committee on Regional Development, particularly in border areas. Before, Regulation (EEC) 4253/88, applicable to the coordination between the Structural Funds and the EIB, allowed the European Commission to outline the Community initiatives aimed at developing special interest actions, which are not considered in regional development plans. The

Commission could approve, without intervention of local authorities, the number and type of initiatives to be established with the funds available; for this purpose, they just needed to consult the Parliament, the Economic and Social Committee and the Advisory Committee on the development and Conversion of Regions. This authority generated an excessive number of Community Initiatives – about 16 –, poorly financed (only four exceeded 400 million ECU), of small size and little impact, this caused a bureaucratic overload as it was necessary to present and agree on a specific programme with each state for each initiative. However, INTERREG, adopted on 25th July 1990, was one of the few that achieved the established aims.

2. CROSS-BORDER COOPERATION IN THE IBERIAN PENINSULA

The origins of CBC between Portugal and Spain, following the changes of political regimes in both countries, date from 1977, with the signature of the Hispanic-Portuguese Treaty of Amity and Cooperation. The roots established by this treaty were clearly reinforced with their accession to the European Community in 1985, obtaining a formal nature not only with the Cross-Border Cooperation Programme for Spain-Portugal (PDTEP), but also with the European Outline Convention on Transfrontier Cooperation between Territorial Communities or Authorities (1981). Apart from various bilateral cooperation agreements, PDTEP and this convention helped to establish Working Communities between the Spanish Autonomous Communities and the Portuguese NUT II regions, the most fruitful example is the Working Community Galicia-North of Portugal.

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2.1. *The Operational Programme: Spain-Portugal*

At the Faro Iberian Summit 1990, the Spanish and Portuguese governments agreed an operational programme for the development of border regions in Spain and Portugal 1989-1993, it was framed in the Community initiative INTERREG I in order to obtain EU funds for regional development in the framework of the CBC process in the Raia Ibérica. This programme was developed by a joint working group established at the Lisbon Iberian Summit in November 1988, and subsequently approved by the European Commission.

The objectives of the programme were:

1. To promote the establishment of conditions for a balanced economic and social development across border regions;
2. To contribute to the settling of population and sustained growth of medium sized municipalities on both sides of the border;
3. To improve the economic integration of border regions in the wider economic area of the Iberian Peninsula, in the context of a European single market.



This first operational programme of cooperation between Portugal and Spain registered several problems in its implementation; these were related to the lack of a genuine common spatial planning and the lack of capacity for the definition and implementation of common strategies of EU fund investments, which often resulted in double projects on both sides of the border.

In the same way as the previous initiative, INTERREG II-A resulted in the elaboration of a new development programme for border regions, based on the agreement reached at the Iberian Summit of Madeira, held in December 1992. After the Commission approved the Community initiative INTERREG II in July 1994, both governments submitted a joint operational programme on 3rd November, which was ratified by the Iberian Summit of Porto in December 1994. Finally, the Commission approved the document, which was called Operational Programme for Cooperation: Spain-Portugal 1994-1999. It had four key objectives:

1. Promotion of a balanced economic and social development on both sides of the border;
2. Contribution to the settling of population and sustained growth of medium sized municipalities;
3. Cross-border spatial planning;
4. Incentives for CBC tools.

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As can be observed, there is a relevant continuation of objectives from the previous operational programme. The main innovation is the focus on INTERREG II Spain-Portugal, with regard to productive activity and telecommunications support units.

A process which evolved from a mere single-sided development of opportunities created by the available funds (INTERREG I), up to basic cooperation, more conceptual than real (INTERREG II-A), to eventually reach full cooperation, taking into consideration the design, operability and management of joint interventions. INTERREG III-A represented a quantum leap of CBC policies between the two countries, particularly regarding the obligation to build cross-border organisations.

Contrary to what one would expect at first, the specific cooperative initiatives still showed to be inefficient in the realm of cooperation (formal and instrumental cooperation without a continuous and balanced interaction between partners).

There were some important blockages to cooperation due to the differences in governance and political-administrative organisational models of the two states (different institutional cultures), as well as due to the asymmetry of financial allocations between Portugal and Spain and their impacts on the different areas of cooperation.

However, as in previous INTERREG, a new Operational Programme between Portugal and Spain for the period 2000-2006 was developed, it was aimed at finding support in EU funds, and managed exclusively through the ERDF, with a budget of approximately € 807 million (about € 516 million for Spain and € 291 million for Portugal). This third Operational Programme for Cross-Border Cooperation is structured into the following:

1. Cooperation and joint management for the improvement of competitiveness and the promotion of employment;
2. Cooperation and joint management in environment, cultural heritage and risk prevention;
3. Cooperation and joint management in spatial planning and accessibility;
4. Cooperation and joint management for socio-economic and institutional integration.

2.2. Models of Cross-Border Cooperation – Galicia and the North of Portugal

The origins of CBC date back to the 1980s, with the so-called Madrid Convention, which meant the formal first step towards the Iberian cooperation process and, as a result, established the Working Community Galicia – North of Portugal. This community was strengthened with the Treaty of Valencia through a disposition of legal discipline appropriate to facilitate, develop and harmonise CBC between authorities and territorial entities on both sides of the border. The Iberian cooperation process, enhanced by the similarity of languages, traditions and customs, has gradually matured and deepened over the years, particularly since the accession of Portugal and Spain to the European Economic Community.

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In order to provide a scientifically based characterisation of the CBC model of these two territories, we have focused on the considerations of the Committee of the Regions (CoR 192/09 2002), and studies by Perkmann (2003), André & Moreira (2006) and Gabbe (2005).



Table 1. Characterisation of the CBC process between Galicia and North of Portugal

	Cross-border Cooperation Model
Committee of the Regions (EC, 2002)	Cooperation related to policy changes and access to the European Union.
Perkmann (2003)	<p><u>Geographic scope</u>: Although the Euroregion Galicia – North of Portugal is particularly large, there is an increasing proliferation of cooperative relations which consists of small territories with common characteristics involving essentially local actors (micro-border regions)</p> <p><u>Cooperation intensity</u>: Power relations in the cooperative process are uneven as a result of the different political organisation of territories; there is a high degree of autonomy on the decisions about cooperation initiatives in Galicia, while Portuguese regional entities have a more limited autonomy.</p> <p><u>Type of actors</u>: Two reference regional authorities at a similar administrative level are found (Xunta de Galicia and CCDR-N), which also leads to the emergence of secondary actors at the local level.</p>
André & Moreira (2006)	Cooperation is based on historical and cultural ties that have bound the regions for many years and that were strengthened with the end of the dictatorships in both countries. The cooperation process implies the development of a joint strategy in order to obtain capital gains, this strategy would evenly benefit the integrated development of border territories.
Gabbe (2005)	The cooperation process has gradually shifted from the national/regional arena to the regional/local one, especially with the emergence of second generation representative entities for cooperation with legal personality, as the European Grouping of Territorial Cooperation Galicia – North of Portugal.

Source: Own compilation.

The area that involves the regions of Galicia and the North of Portugal is the one with the most fruitful tradition of cooperation along the Raia Ibérica, therefore, its model of cooperation cannot be classified as emerging, as it is the case for most border territories in Southern European countries (Portugal, Spain, Greece, Italy). Unlike Medeiros (2011), we consider that the cooperation model is essentially in a structural phase, supported by consolidated entities such as the Working Community Galicia – North of Portugal, which lead the cooperation process based on a joint strategy oriented from guidelines of European regional policies and from the time dimension of the Community support framework. The high degree of border permeability, particularly in terms of road accessibility and economic relations, and the strong cultural and political

ties shape a potential Euroregion, which is still limited due to the lack of political autonomy in the North of Portugal. This hampers the implementation of a supraregional entity, which would manage a joint regional strategy autonomously.

3. INTERREG I, II AND III IN THE EUROREGION GALICIA-NORTH OF PORTUGAL

In order to determine the importance of the Community initiative INTERREG over the Euroregion territory, we should take into account its starting point. In fact, on 26th and 27th November 1985, the Portuguese ERDF Committee approved applications which exceeded 5 million ECU. None of them was located in Alto Minho, a border region, and the region of Norte had almost no benefit from those four projects. Since 1983, CCR-N (Comissao de Coordenação Regional-Norte) encouraged the strengthening of relations with the recently established Autonomous Community of Galicia, which had a brand new government with new powers. Thus, the North of Portugal and Galicia were getting ready to become a clear example of policy activation of regional actors in the Community Arena, promoting their own space to fund common projects, apart from their respective resources of the regional development plan needed for benefiting from ERDF funds. In this sense, in April 1986, not long before the accession of the Iberian countries to the EC, both regional governments submitted proposals for joint action to their respective national governments; these proposals were susceptible of being financed with the ERDF funds, assigned to foster cross-border relations and cooperation promoted by regional and local authorities, as we have seen. The proposal, developed by CCR-N, was based on three main statements, namely the permeability of the movement of people and goods on both sides of the border, the use and protection of nature, and the realisation of projects with a widespread effect over the border. This initial strategic definition will guide the presentation of projects within the framework of INTERREG I, II and III, and it will determine not only the development of border areas but also their contiguous regions.

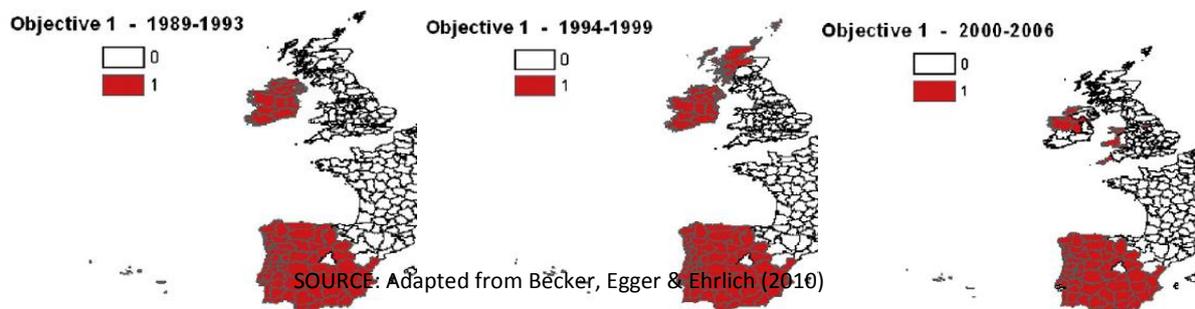
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3.1. *Areas of Intervention and Funding*

INTERREG represented the best resourced Community initiative, approximately 800 million ECU for the period 1990-1993 (eventually 1,032), 31 operational programmes were financed along EU borders. The programme for Spain-Portugal obtained the highest budget, with a total amount of 593 million ECU, of which 410.08 were from ERDF, allocating 58.04% to Spain and 41.96% to Portugal. The explanation for the amount received lies on the fact that these border NUT III are classified as Objective 1 regions, according to Regulation 2052/88 (EEC) annex; such classification was kept during the first three INTERREG initiatives, from 1990 to 2006, because they were not able to reach a GDP *per capita* over 75% of the UE average in this period (Figure 1).



Figure 1. Classification of NUT III in the Iberian Peninsula regarding the allocation of structural development cooperation funds (1989-1993, 1994-1999 e 2000-2006)



In order to achieve the objectives outlined by POCTEP with regard to INTERREG I, the programme was divided into seven sub-programmes, which had received different financial allocations, being the main part of the available funding assigned to Sub-programme 1 (Table 2).

Table 2. Areas of intervention INTERREG I

SP1 – Integration and articulation of road infrastructures (ERDF)	76.7% of the investment and 29.2% of the approved projects (Medeiros, 2007 and only in PT), 73.5% (POCTEP 2007).
SP2 – Agriculture and rural development (EAGGF)	It only received 144.000 ECU for the whole period 3.3% (POCTEP 2007).
SP3 – Industry, services and crafts support. Infrastructure promotion (ERDF)	Not financed.
SP4 – Tourism development (ERDF)	13.0% of the investment and 20.4% of the approved projects (Medeiros, 2007), 10% (POCTEP 2007).
SP5 – Water resources conservation and drainage (ERDF)	4.49% of the investment and 8.41% of the approved projects (Medeiros, 2007), 6% (POCTEP 2007).
SP6 – CBC actions (ERDF and EAGGF)	5.76% of the investment and 41.6% of the approved projects (Medeiros, 2007), 6.8% (POCTEP 2007).
SP7 – Management and monitoring (ERDF)	0.07% of the investment and 0.44% of the approved projects.

Own compilation; Source: Medeiros (2007), POCTEP (2007)

As one can easily observe, Sub-programme 1, mainly directed to the construction and improvement of road infrastructure of the territories, received most of the resources, this sub-programme supported the regional development strategy for diminishing the structural backwardness in relation to the links between regions.

If we focus on the geographical distribution of NUTS II in Portugal, Algarve was left with 53% of the estimated ERDF funds, followed by Norte with 24%, Centro with 15% and Alentejo with 8%. In Spain, the allocation of funds was more balanced, with Galicia as the most favoured, followed closely by Andalusia, Extremadura and Castille and Leon. The four initiatives that had a higher allocation of funds were the construction of the IP1 – Via Longitudinal do Algarve (€ 84.8 million), the highway between Badajoz and the Portuguese border (€ 70.5 million), the highway Porriño-Tui (€ 47.4 million), and the access roads to the bridge over Guadiana on the Portuguese side (€ 24.9 million).

At NUTS III level in the border region Galicia – North of Portugal, the areas that registered a great number of approved projects and funding allocation were Minho-Lima and Pontevedra; the Portuguese NUTS III alone managed to raise almost 95% of the total sum allocated to the North of Portugal. In this first INTERREG, almost 51% of Portuguese projects were managed by local entities, although more than 66% of the funding had been channelled to projects managed by Institutes of Public Administration; in Spain, almost the whole investment (98%) was assigned to projects of Institutes of Public Administration.

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Unlike the previous Community initiative, INTERREG II, which covers the period 1994-1999, is divided in two; the INTERREG of CBC (INTERREG II-A), and REGEN, an initiative aimed at the improvement of energy infrastructures (INTERREG II-B). In 1996, the Commission decided to establish a new strand, transnational cooperation, INTERREG II-C. The total budget was € 3,525 million, outnumbering by three the resources in the previous phase, INTERREG II-A remained with 72.6%, II-B 15.6%, and II-C with 11.7%. In this second phase, 59 programmes were funded.



Table 3. Areas of intervention INTERREG II-A

	% PROJETS	% INVESTMENT
SP1 – Socio-economic development (ERDF, EFS y EAGGF)	Portugal: 72.2% Spain: 38.3%	Portugal: 37.2% Spain: 38.0%
SP2 – Architectural heritage (ERDF).	Portugal: 12.8% Spain: 52.6%	Portugal: 11.8% Spain: 30.1%
SP3 – Improvement of border permeability (ERDF)	Portugal: 11.3% Spain: 8.5%	Portugal: 46.0% Spain: 31.7%
SP4 – Management and monitoring (ERDF)	Portugal: 3.5% Spain: 0.5%	Portugal: 0.4% Spain: 0.03%

Own compilation; Source: Medeiros (2007)

The programme for the Spanish-Portuguese border received the highest financial allotment, as was the case in the previous phase. 63.7% of the € 569.3 million was allocated to Spain and 36.3% to Portugal. This is particularly relevant, since the difference in national funding increased, and the cooperation process based on equal terms was hindered. Another important change with regard to the previous phase is that the contribution of the ERDF and the EAGGF joins the ESF in funding programmes; the ERDF contributed with 91.5%, the EAGGF with 8%, and the ESF with 0.5%. This phase was developed around thematic sub-programmes, more concentrated than in the previous phase, reduced from 7 to 4 (Table 3).

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Although resources were more evenly allocated in the sub-programmes in this INTERREG, the improvement of the communication structure was still the area of intervention with more resources on the Portuguese side. As in the previous INTERREG initiatives, Minho-Lima remained as the Portuguese NUT III with more resources allocated from the funding aimed at the border between Galicia and the North of Portugal (almost 78%); at the same time, Pontevedra continued as the most favoured Galician region.

INTERREG I and II were applied along the Raia Ibérica, in most cases without coordination or a joint cooperation strategy. The lack of a harmonious regional development strategy caused some problems, such as the overlap of projects, the lack of integration among them and the redundancy of their aims. Some of these problems were solved with INTERREG III-A, implemented between 2000 and 2006, as a result of the need to establish promoting entities for projects in both countries and the Community initiative to be divided in three strands. Apart from that, it was established that POCTEP would have 5 sub-programmes, based on the territorial dispositions of the Raia Ibérica: SP1 – Norte/ Galicia (Pontevedra, Minho-Lima, Ourense, Cávado and Alto Trás-os-

Montes), SP2 – Norte/ Castille and Leon (Alto Trás-os-Montes, Zamora, Douro and Salamanca), SP3 – Centro/ Castille and Leon (Salamanca and Beira Interior), SP4 - Centro/ Alentejo/ Extremadura (Beira Interior Sul, Badajoz, Alto Alentejo and Baixo Alentejo), SP5 - Alentejo/ Algarve/ Andalusia (Baixo Alentejo, Algarve and Huelva). INTERREG III-A is divided in 5 areas of intervention (Table 4).

Table 4. Areas of intervention INTERREG III-A

	% PROJECTS	% INVESTMENT
Area 1 – Infrastructure, planning and rural development of cross-border areas	Portugal/Spain: 17.7%	Portugal/Spain: 35.6%
Area 2 – Valorisation, promotion and preservation of the environment and heritage and natural resources	Portugal/Spain: 28.9%	Portugal/Spain: 31.1%
Area 3 – Socio-economic development and promotion of employment	Portugal/Spain: 28.6%	Portugal/Spain: 24.8%
Area 4 – Promotion of social and institutional cooperation and integration	Portugal/Spain: 18.0%	Portugal/Spain: 8.3%
Area 5 – Technical assistance	Portugal/Spain: 6.8%	Portugal/Spain: 0.2%

Own compilation; Source: Medeiros (2007)

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With regard to the spatial distribution of investment in Portugal, there is a more balanced allocation between the regions of Minho-Lima and Alto Trás-os-Montes; this last one registering an important increase in the financial endowments of the approved projects, and becoming the Portuguese NUTS III in the border Spain-Portugal that benefits from the highest share of investment (about 51%). As in previous INTERREG initiatives, there is still a significant balance in the distribution of investment between the regions of Pontevedra and Ourense in Galicia, while the NUTS III of Cávado is still impaired due to its less privileged geographical location, receiving only a residual share of the funding (3.7%).

In INTERREG III-A, the division on the different areas of intervention is more balanced, however, the action aimed at building and improving infrastructures still receives more funding. As far as promoting entities is concerned, and following the



same tendency as in previous phases, local entities in the North of Portugal, and specially the Municipal Executive, develop more projects and receive more investment; while in Galicia, public entities linked to the regional Autonomous Government are the ones with more projects and funding, the regional Autonomous Government is deeply involved in funding allocation.

3.2. Sectorial and Geographical Dynamics: INTERREG Effect and Impact

The analysis of the impact resulting from the accomplishment of projects associated to the different INTERREG initiatives constitutes a difficult and imprecise task, since it is almost impossible to isolate the other investments in regional economy and the profits of cooperation in Galicia and North, it is also difficult to determine which regions are favoured when small territorial spaces are analysed. Apart from the problems of measurement and delimitation of UE funds channelled through the Community Initiative INTERREG, the investments are particularly useful for the common benefit of more than one region and, in most cases, generate spillover effects on neighbour regions (Martin & Tyler, 2006). Finally, a great number of authors, who study the issues related to the effect of structural funds on regional development, also argue that the benefits or the economic profits of projects lag back to the moment of investment, that is, the profit in the development of the regions' wealth can be noticed some years after (Becker, Egger & Ehrlich, 2010).

Besides the difficulties found in the accurate analysis on the effect of Community structural funds applied to the development of Objective 1 regions, like Galicia and the North of Portugal, studies such as BEUTEL (2002) consider that the transfers carried out in the ERDF field for Spain and Portugal (Community scene of 1989-93 and 1994-99), enable the increase of their corresponding GDP; the estimation of that increase in Portugal, is of 0.9% in the period 1989-93 and 1.0% in 1994-99, while in Spain that increase is of 0.3% and 0.5% respectively. Similarly, for the period 2000-2006, the European Commission assumes that the effect of Community assistance for regional development represents an increase of 3.5% in the GDP of Portugal and 1.1% in the GDP of Spain (EEC, 2003).

During the period comprised between 1980 and 2006, the development of the GDP in the regions of Galicia and the North of Portugal has been convergent with the European average, although at a much slower pace, particularly in the case of the North of Portugal. Table 5 shows the significant delay of these regions with respect not only to the European average (EU15), but also with respect to the corresponding national average.

Table 5 – Development of GDP *per capita* in Portugal, North of Portugal, Spain and Galicia with respect to the average of the EU15 (1980-2006)

		1980	1986	1990	1994	2000	2006
GDP <i>per capita</i> in PPP (EU15 = 100)	EU15	100	100	100	100	100	100
	Spain	73	72	77	78	83	93
	Galicia	59	57	60	61	64	77
	Portugal	56	55	62	70	75	70
	North of Portugal	47	47	53	62	61	56
		1980- 1986	1986- 1990	1990- 1994	1994- 2000	2000- 2006	
GDP annual growth rate average (constant prices 2005)	EU15	1,58	2,99	-1,02	5,09	1,55	
	Spain	1,27	5,57	0,71	5,56	2,99	
	Galicia	1,06	5,02	0,94	5,20	4,24	
	Portugal	1,00	6,63	2,37	6,63	0,34	
	North of Portugal	1,52	6,40	3,34	4,61	-0,05	

Own compilation; Source: NSI, Portugal; NSI, Spain; Galician Statistical Institute; Eurostat; European Commission

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During the EU pre-accession period of both countries (1980-1986), the growth rate of the GDP *per capita*, in real terms (constant prices 2005), was below the annual growth average of the EU15 in both territorial spaces (1.58%/year); only the North of Portugal barely approximated this point without providing convergent development. However, after 1986, with the accession to the EC and until 2000, the annual growth average of GDP *per capita* was always above the average of the EU15 countries, thus, the approximation of development levels of the regions in national as well as European average was possible, with the exception of the North of Portugal (which did not overcome the growth rate in the period 1994-2000, in relation to Portugal as well as the EU15). Since 2000, with the introduction of the single European currency, Galicia and the North of Portugal have presented divergent growth rates among themselves as well as in relation to the EU15 average. On the one hand, Galicia managed to maintain a high growth rate, above the European average, this allowed them to change from Objective 1 region (convergence) to Objective 2 (regional competitiveness). On the other hand, the North of Portugal, which had maintained a convergent growth rate since 1986, stopped converging in 2000, what developed a deeper asymmetry with the European context; in real terms, between 2000 and 2006, this region recorded a negative annual average rate of GDP *per capita*, not very different from the growth rate of the whole country, which did not administer the accession to the Euro zone in a better way.



Within the NUTS III of Galicia and the North of Portugal, the rate of convergence of their territories and the development of the *GDP per capita* was also different. In Galicia, between 1980 and 1986, there was an increasing gap between the *GDP per capita* in the NUTS III and the European average. Since the accession of Spain to the EC, the development of the *GDP per capita*, in Purchasing Power Parities, was slightly above the European average, unlike the NUTS III of the North of Portugal, which started to show signs of stagnation in 1994, diminishing growth rate significantly between 2000 and 2006 (Table 6).

Table 6. Development of *GDP per capita* in the NUTS III of Galicia and North of Portugal with respect to the EU15 average (1980-2006)

		1980	1986	1990	1994	2000	2006
GDP <i>per capita</i> in PPP (EU15 = 100)	Coruña	64	61	62	64	66	80
	Lugo	58	54	57	57	61	74
	Ourense	46	50	55	61	58	67
	Pontevedra	59	57	60	61	66	77
	Minho-Lima	-	-	37	47	46	44
	Cávado	-	-	42	55	56	54
	Ave	-	-	52	61	60	52
	Grande Porto	-	-	74	85	80	69
	Tâmega	-	-	30	37	41	41
	Entre Douro e Vouga	-	-	52	64	63	57
	Douro	-	-	45	51	46	48
Alto Trás-os-Montes	-	-	39	46	47	48	
		1980-1986	1986-1990	1990-1994	1994-2000	2000-2006	
Average annual growth rate of <i>GDP per capita</i> (constant prices 2005)	Ourense	3,06	6,70	2,78	3,33	3,51	
	Pontevedra	0,78	5,30	0,62	5,91	3,90	
	Minho-Lima	-	-	5,46	4,93	0,79	
	Cávado	-	-	6,02	5,63	0,80	
	Alto Trás-os-Montes	-	-	3,10	5,34	2,26	

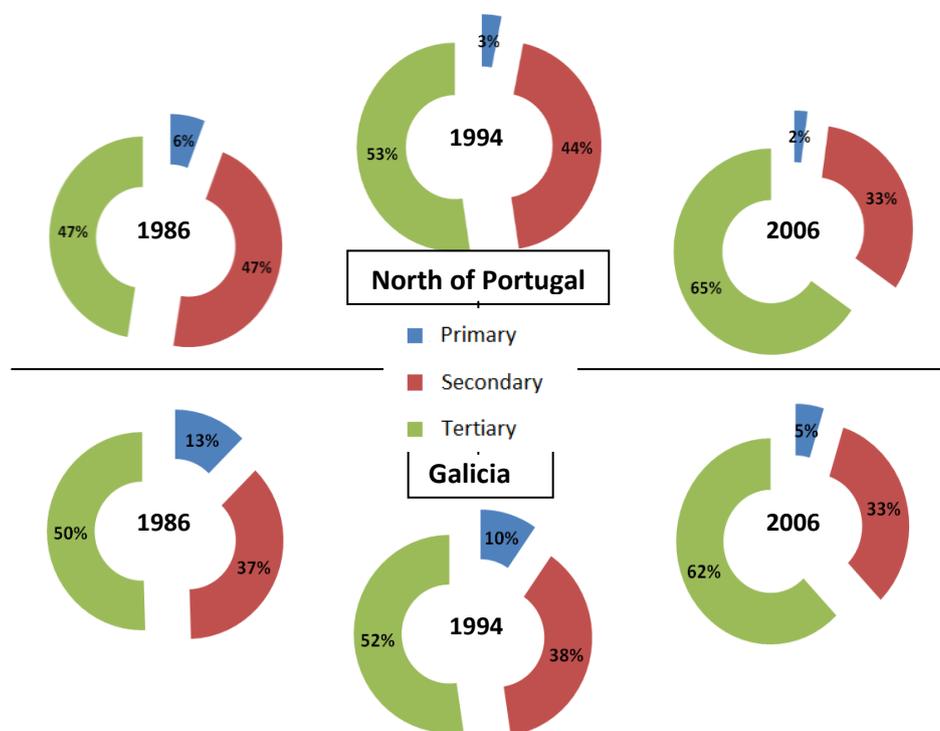
Own compilation; Source: NSI, Portugal; NSI, Spain; Galician Statistical Institute; Eurostat; European Commission

Although we may consider that there is a conjunctural problem with the NUTS III of the North of Portugal which affects all the national territory and that, as a whole, it has had several difficulties in economic growth, we can also confirm that border regions have a less pronounced divergent rate. The regions of Minho-Lima, Cávado e Alto Trás-os-Montes, which received funds from INTERREG, took advantage of the growth rate of Pontevedra and Ourense to avoid a breakdown in *GDP per capita* as significant as in the

other NUTS III; it is worth mentioning that the NUTS III Alto Trás-os-Montes was the only region that, together with Tâmega, managed to reduce the asymmetry of its GDP *per capita* compared to the average of the EU15; this performance shows a relevant increase in the funding allocated to these areas within INTERREG III-A. Since 1990, taking advantage of the efforts on CBC, these regions were able to keep the growth rate of the GDP *per capita* above the average of the North of Portugal, this shows the profits from the joint cross-border initiatives within the framework of INTERREG and the spillover effects of the economic juncture of Galicia and particularly of its border territory. The investments made within INTERREG have focused on the building of infrastructures of common interest, particularly linked to the permeability and accessibility of the border territories, which enhanced and facilitated economic and social exchange among the regions. The link between the main sea ports, airports and cities became faster and easier with the implementation of these investments, and they contributed to the development of the NUTS III from the Atlantic Axis. Structural improvements were particularly useful for the activities related to the services sector, which saw an increase of representation in all the territory both in terms of Gross Value Added and employed people.

Figure 2. Gross Value Added in the North of Portugal and Galicia, per activity sector (1986-2006)

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Own compilation; Source: NSI, Portugal; NSI, Spain; Galician Statistical Institute.

Due to the importance of the service sector at present in both regions, relevant changes in the labour market occurred, as the access of workers from the primary and secondary



sector to the tertiary sector, which helped to the delocalisation of active population in the border areas in favour of the coastline, where the big cities, the proliferation of academic courses linked to the social sciences and the education initiatives financed for strengthening competencies aimed at active population in areas linked to the tertiary sector are. Figure 2 shows these sectorial changes, although they do not arise directly from the development of initiatives like INTERREG, they received the contribution for the development of the service sector.

The development strategy of border regions was based on structural investment and on the investment in intangible assets. According to Rodriguez-Pose & Fratesi (2004), the investment of Community funds in education has a positive effect in the medium and long term. In the future, the strategy for Communitarian investment under CBC programmes will probably be reviewed according to the EU 2020 Strategy.

4. CONCLUSIONS

The general analysis, without being negative, cannot be considered fully satisfactory. Clearly, the aim of these initiatives was to establish the population and make medium sized cities grow, this was not achieved with the actions developed specially within INTERREG I and II-A. The limited focus on the areas of rural development in regions with a high rate of rurality did not favour economic growth in the border either. However, the worst part of this first experience was the few joint programmes between public administrations of the two countries (almost 75% of the funds available in both countries were allocated to road infrastructures).

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The location of the vast majority of investments was also imbalanced; the regions on the Atlantic coastline, namely Pontevedra and Minho-Lima, were more favoured by financial allocations. These two areas, particularly on the Portuguese side, monopolised the resources available for the region within the framework of the INTERREG I and II-A initiatives. The autonomous and isolated character of the implementation of the majority of the projects approved within these two Community initiatives undermined the achievement of the objectives outlined in the first 2 POCTEP, which were not framed in a common cooperation strategy that considered the development of the euroregional territory as an integrated and independent whole. POCTEP, despite promoting converging development in the short term (between 1986 and 2000), did not outline the basis for sustainable development in the long term, particularly in the North of Portugal.

The problems found in the first 2 INTERREG were minimised in INTERREG III-A, whose development was already based on a joint cooperation strategy, consubstantiated in the 3rd POCTEP, which allowed a more balanced allocation of funds through the

different areas of intervention in the different border regions. This adjustment was particularly reflected in the average annual growth rate of GDP *per capita* in real terms in the region of Alto Trás-os-Montes in the period comprised between 2000 and 2006, which registered the highest increase of the whole North of Portugal region, even above the EU15 average, besides the fact that both this NUTS II and the rest of the national territory were in a state of regression.

It is worth noting here that, despite the problems and difficulties in the development of INTERREG I, II and III, these Community initiatives deepened into the CBC process, based on a development strategy integrated in the territory, which serves as a basis for future Community initiatives. We cannot forget, however, that the pace of divergent development in Galicia and the North of Portugal, especially since the introduction of the single European currency in both countries, allowed the Galician territory to be classified as Objective 2 region (regional competitiveness). Thus, it is important that the agents of cooperation understand economic cycles and development differences in the two regions, in order to develop future operational programmes for cooperation, and in order to make resources profitable, which, in a difficult economic and financial conjuncture, are increasingly limited.

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