



COHESION POLICY IN THE EUROPEAN UNION: A BRIEF CRITICAL REVIEW

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Abstract

Over the past four decades the EU cohesion policy's focus, objectives and content have experienced significant changes as a result of successive reforms aiming at adapting it to a Union in constant evolution. In the early stages, cohesion policy had eminently redistributive goals and it assumed an explicit spatial dimension. In the late nineties, the possibility of an extension towards Eastern European countries and the limited willingness of net contributors to increase funding led to a turning point in cohesion policy. The increased importance of economic growth and job creation in the 2000's, within the cohesion policy's context, has led to a misrepresentation of its essence and motivations. Cohesion was losing importance towards competitiveness and regional equity towards national efficiency. Today, cohesion policy is for many EU countries the main mean for mobilising investment in a context of budgetary constraints and credit rationing. In light of the available evidence, it is likely that the overall design and priorities of the current cohesion policy have a limited impact in terms of convergence in many EU regions, especially in the less developed regions. This paper's main objectives are to analyse the evolution of European cohesion policy throughout its history, to present a picture of cohesion policy in the 2014-2020 programming period and to discuss the main problems associated with its design, priorities and programming model.

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Introduction

The cohesion policy's structural objectives are to improve equity levels and reduce social and inter-regional disparities within the EU. Under this redistributive policy, many of the objectives initially proposed were achieved, however, from the convergence viewpoint the effective results were quite different from those initially proposed. In fact, over the various programming periods, cohesion policy has improved the convergence between member states, however it has also led to an increased divergence of income between regions.

The evolution of cohesion policy has been very progressive. Through the various programming periods the objectives, principles and operating rules have experienced slight modifications. The inter-period progression has ensured reforms and advances in certain areas, nevertheless it has also allowed for a significant part of the architecture and contents to remain virtually unchanged.

The current cohesion policy does not only fulfil cohesion objectives. In the present framework, in addition to promoting economic, social and territorial convergence, cohesion policy instruments must meet competitiveness objectives, particularly in terms of economic growth and job creation.

This shift is evident in the 2014-2020 programming period, given that cohesion policy's objectives and priorities should be in line with the goals of the Europe 2020 Strategy, which aims at boosting the global competitiveness of the European economy within this timeframe. It is a great challenge to make cohesion compatible with competitiveness within the context of cohesion policy. In previous programming periods, it has turned out to be relatively difficult, particularly because sometimes these concepts enclose a completely antagonistic rationale. In addition, this competition between goals has contributed to the distortion of the cohesion policy's essence as well as to the loss of importance of its spatial dimension.

In the 2014-2020 programming period, cohesion policy has a €450,000 million budget and, as a result of the fiscal restrictions within the EU, it will be the largest investment tool in most EU countries. The cohesion policy's budget will be mostly devoted to supporting SMEs, R&D, innovation, education, low carbon economy, environment, the fight against unemployment and social exclusion, certain investments in infrastructure and modernization of public administration. An important innovation in the 2014-2020 programming period is that cohesion policy must be implemented jointly with structural reforms.

The main objectives of this article are to review the progress of regional/cohesion policy since its inception, identifying the scope and content of the reforms carried out in the different phases, as well as analysing the distinctive features of the current programming period. It is also intended to critically discuss the most controversial aspects of the current policy, stressing the need to redirect or reform some aspects in order to improve its overall effectiveness.

The remainder of this article is organised as follows. Section 2 explains the evolution of cohesion policy since its inception to the 2007-2013 programming period, paying special attention to major reforms. The objectives, priorities and other aspects of interest of the 2014-2020 programming period are presented in section 3. Finally, section 4 critically discusses the most controversial aspects and the effectiveness deficits of the current framework and lists some conclusions that can serve to ground potential reforms in the future.

The development of regional policy²

Depending on the priorities of the European political agenda, the importance of cohesion policy has varied significantly in different stages of the process of European construction. Thus, the dominant political agenda has conditioned the scope, content and priorities of regional policy, as well as its architecture and institutional practice. In addition to policy priorities, the general guidelines of regional policy have been very permeable to changes in the theory and practice of regional development (Puga, 2001).

In the Treaty of Rome there is an explicit reference to the importance of adopting regional policy instruments. In the preamble of the Treaty it is stated that member states recognise the need “*to strengthen the unity of their economies and to ensure their harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions.*”

Since its inception in 1958 and until 1975 there was no regional policy organised, financed and directed by the European Commission. Regional development was an area of intervention reserved exclusively to member states. At this stage, national governments launched a set of solidarity policies to reduce economic and social

² This section is mainly based on the Commission Reports on *Economic, Social and Territorial Cohesion* (EC, 2014 and EC, 2010a). In this text the terms regional policy and cohesion policy are employed indistinctly. Nevertheless, regional policy is the term used in the early stages and cohesion policy the term used from the nineties onwards.

disparities between regions. Industrialization policies were one of the most popular measures applied in less developed regions. These policies were based on fiscal and financial incentives devoted to promoting the location of businesses in specific areas – growth poles – that act as levers of economic growth. On several occasions, these industrial promotion measures were complemented by public investment in public enterprises or in infrastructure and public facilities. In this first phase, in 1958, the two sectoral funds of regional policy were created: the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF).³

The crisis of the seventies and the process of economic restructuring and industrial reconversion, together with the accession of Ireland in 1973, led to the establishment of a regional policy at the European Economic Community (EEC) level. The main goal of launching and implementing this integrated policy was to coordinate regional nationwide policies and improve the effectiveness of interventions, through a financial instrument of regional development geared towards the correction of inequalities between regions.

At this stage the regional policy instruments were financed through the European Regional Development Fund (ERDF), established in 1975. This fund's main goal was to act as the main income redistribution mechanism within the EEC. At this point, countries received the financial resources to support regional development in accordance with the criteria established by each member state.

The reforms made in 1979 and 1984, which aimed at incorporating new guidelines for territorial intervention, expanded the spectrum of regional policy, deepening their Community dimension, largely thanks to the reinforcement of the ERDF's importance. The approval of the Single European Act in 1986 gave a major boost to the EU's regional policy. Its entry into force in 1987 and the prospects of the European Single Market's creation⁴ led in 1988 to a deep reform of the Structural Funds,⁵ both in terms of focus, as in terms of functioning and financing.⁶ The main changes under this reform were:

³ On 1 January 2007 the EAGGF was replaced by the European Agricultural Guarantee Fund (EAGF) and the European Agricultural Fund for Rural Development (EAFRD).

⁴ In 1993.

⁵ Approved in the European Council of Brussels in February 1988.

⁶ And even in terms of denomination. Funds for regional policy, previously called solidarity funds, came to be called structural funds.

- i. An increased funding thanks to a broad political commitment. The so-called Delors I package doubled the structural funds endowment between 1988 and 1993. The structural funds endowment in the 1989-1993 programming period was of ECU 68,000 million;⁷
- ii. The application of a new operational model based on four basic principles: concentration, programming, co-participation and additionality;
- iii. The adoption of a new approach based on regional development and local potential, in which regions play a central role, following a bottom-up approach.

The conceptual foundations of the new EEC's regional policy entailed a thorough review of the strategies, objectives and instruments of the traditional territorial development policy, as well as other sectoral policies. In the renewed conceptual framework of regional policy, the region becomes the main agent of change, and development strategies now favour the mobilisation of the territory's tangible and intangible resources.

Endogenous development became the framework of the new regional policy. Consequently, the promotion of local contexts that favour the emergence and growth of business activity and innovative capacity, through the mobilisation of endogenous resources, are the main priorities of regional development strategies (Vázquez Barquero, 2007). Regional policy instruments, within this framework, are focused on the enhancement of intangible competitive dimensions, such as human capital, technological development, innovation capacity and networks and business services.

With this 1988 reform, regional policy becomes a true policy of economic, social and territorial cohesion within the EEC, aiming at counterbalancing the negative impacts of the single market in European regions with economic and social development problems (Cuadrado-Roura and Parellada, 2002). Regional policy's main goals became the recovery of less developed regions, the restructuring of industrial areas in decline, the diversification of production structures in agricultural rural areas and the recovery and revitalization of degraded urban areas. In any case, for the first time, there is a permanent focus on job creation. From this reform, regional policy is organised in relatively long multiannual programs, initially with a

⁷ 1997 prices.

duration of five-years (1989-1993), later on of six (1994-1999) and more recently with a duration of seven-years (2000-2006, 2007-2013 and 2014-2020).

The Treaty of the European Union, adopted at the European Council of Maastricht in February 1992, which entered into force on January 1, 1993, adopted cohesion along with the Economic and Monetary Union (EMU) and the single market, as one of its main goals. In this new framework, cohesion policy was reformed once again, although its main objective remained the same as in the previous period: to cushion the negative impacts of the single market on cohesion. This concern with economic and social cohesion, as evidenced in the Councils of Maastricht and Edinburgh, resulted in a strengthening of the instruments in order to ensure it in an environment of great political and economic changes.

In this context, the Delors II package was approved.⁸ The new financial package strengthened the cohesion policy's endowment up to ECU 177,000 million⁹ for the 1994-1999 programming period.¹⁰ In addition, the Cohesion Fund was established with the purpose of funding infrastructure and environmental projects in countries with a GNP lying below 90% of the ECC's average, namely Spain, Greece, Ireland and Portugal. The Financial Instrument for Fisheries Guidance (FIFG), also launched at that time, completed the existing cohesion policy instruments on the ground.

In the late nineties, the introduction of the subsidiarity principle was a development of great relevance in cohesion policy, namely due to its impact on programming.¹¹ Based on this principle, national authorities became responsible for selecting and implementing the projects to be financed. In this period the focus on job creation remained paramount. In fact, the Treaty of Amsterdam of October 1997, while reaffirming the importance of cohesion it simultaneously highlights the need to fight unemployment.¹²

The EU's enlargement towards Eastern European countries was a challenge for the Union, politically, economically and in financial terms. To prepare the 2000-2006 programming period, the

⁸ December 1993.

⁹ 1999 prices.

¹⁰ The budget for cohesion policy in the programming period represented about a third of the EU's budget.

¹¹ Another relevant development, namely due to its transversal nature, was the emphasis given to evaluation mechanisms.

¹² There is a title intended solely for Employment.

Commission presented in 1997 a document entitled “Agenda 2000: for a stronger and wider Union”, which assumed a clear political position on this matter. At that time, the economic backwardness of Eastern European countries along with the expectation that they would be the recipients of cohesion policy funds over a long period of time created tensions among the then fifteen member states. Despite the existence of various sensitive points in this regard, the economic and social cohesion continued to be a key political objective of the EU and therefore cohesion policy continued to play a central role, both politically and instrumentally. In spite of recognizing its importance, the debate surrounding this subject sought to establish a budget ceiling equivalent to 0.46% of the EU’s GDP.

At the European Council of Berlin in March 1999, a new reform of the Structural Funds and a modification of the operation of the Cohesion Fund were approved. The aggregate endowment of cohesion policy instruments was increased by more than €30,000 million. Thus, in the 2000-2006 programming period the budget for cohesion policy amounted to €213,000 million. Operationally, in this period there were some significant changes, namely: i) the strengthening of thematic, geographical and financial concentration; ii) the procedural simplification and decentralization as a result of changes in the programming and cooperation principles; iii) the enhancement of effectiveness and control in terms of the cost/effectiveness relation; and, iv) the improvement of control mechanisms, by improving supervision and monitoring instruments, and evaluation schemes. The main distinctive features of the 2000-2006 programming period are as follows:

- i. The reduction of the relative amounts of funding, due to the increase in the number of net receivers;
- ii. The strong impact of the subsidiarity principle on the effectiveness of cohesion policy. Commission's loss of control led to a deep fragmentation of policy interventions;
- iii. The despatialization of regional policy. The territory lost relevance in the design and implementation of regional policy.

The preparation of the 2007-2013 programming period was extremely controversial, as a result of two relatively antagonistic perspectives.¹³ Although there was a broad debate during the lead

¹³ Sapir Report (Sapir, 2003) and Group of Solidarity Report - DG Regio (Group of Solidarity, 2003).

time, the agreement allowed for the balance of several competing aspirations: i) that the member states of the old EU-15 continued to benefit from cohesion policy funds; ii) that the new member states enjoyed a significant part of cohesion policy resources, and; iii) that the net contributors saw a reduction in their contribution to cohesion policy financing.

In terms of content and objectives, cohesion policy underwent a significant reorientation in the 2007-2013 programming period. According to the commitments made by member states in the Councils of Lisbon and Gothenburg, the key objective of cohesion policy has to be to contribute towards the improvement of Europe's competitiveness. Cohesion policy's objectives for this programming period were: i) Convergence; ii) Regional competitiveness and employment, and; iii) European territorial cooperation. The first was intended for regions with a GDP per capita below 75% of the EU's average. It concentrated 82% of cohesion policy's budget (around €382,000 million), while the remaining 18% was distributed between the other two objectives.

In the new regulatory framework, member states had to develop National Strategic Reference Frameworks (NSRF) and national and regional Operational Programmes (OP), in order to define the main strategies and areas of intervention. These guidelines would later serve as the basis for selecting the programs and projects to be financed. Operationally, the main changes of this period were: i) the adoption of a more strategic approach focused on EU priorities; ii) the strengthening of the geographical, financial and thematic concentration; iii) the effort of decentralization and simplification; and, iv) the proportionality.

The 2014-2020 programming period

Framework and architecture

In late 2010, the European Commission launched a public consultation process to establish the basis of cohesion policy for the 2014-2020 period. A year later, in October 2011, the Commission presented a set of legislative proposals, based on the provisions of the financial framework, among which are:

- i. A general regulation laying down common rules for governing the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund;

- ii. Three specific regulations for the ERDF, the ESF and the Cohesion Fund;
- iii. Two regulations to regulate the European Territorial Cooperation and the European Groupings of Territorial Cooperation;
- iv. Two regulations on the European Globalisation Adjustment Fund (EGF) and the Programme for Climate Change and Innovation;
- v. A communication on the European Union Solidarity Fund (EUSF).

For the 2014-2020 programming period, the European Commission proposed significant changes in both the design and the implementation of cohesion policy. These changes were mainly materialised in seven aspects: i) focusing on the priorities of the Europe 2020 Strategy; ii) compensating performance; iii) supporting integrated programming; iv) emphasis on results; v) gearing towards investment; vi) strengthening of territorial cohesion; and, vii) simplifying implementation procedures.

The thematic concentration on the Europe 2020 Strategy implies setting up programmes that allow for the articulation of the common strategic framework, the partnership agreements and the thematic objectives around the priorities and guidelines of this strategy. The main objectives defined within the Europe 2020 Strategy are (EC, 2010b):

- i. Increasing the employment rate of the population aged 20 to 64 from the current 69% to at least 75%;
- ii. Achieving the objective of investing 3% of GDP in R&D, particularly by improving the conditions for R&D investment for the private sector and developing a new indicator that allows for the monitoring of innovation levels;
- iii. Reduce greenhouse emissions by 20% when compared to 1990 levels, increasing to 20% the share of renewable energy in final energy consumption and increasing the efficiency of energy use by 20%;
- iv. Reduce the percentage of school leavers from the current 15% to 10% and increase the percentage of people between 30 and 34 years old who complete a higher education from 31% to at least 40%;
- v. Reducing the number of Europeans living below the national poverty level of 25%, bringing out of poverty 20 million people.

To achieve these goals were proposed the following seven initiatives:

1. Innovation – “Union for innovation”: to improve the general conditions of access to funding for research and innovation in order to strengthen the innovation chain and boost investment levels in the EU;
2. Education – “Youth on the Move”: to strengthen the results of national education systems and strengthen the international attractiveness of European higher education.
3. Digital Society – “A digital agenda for Europe”: To speed up the implementation of high-speed Internet and benefit from a digital single market for households and businesses;
4. Climate, energy and mobility – “A Europe that effectively takes advantage of its resources”: To contribute towards the disconnection between economic growth and resource use, reducing carbon emissions, increasing the use of renewable energy sources, modernizing the transport sector and promoting the efficient use of energy;
5. Competitiveness – “An industrial policy for the globalization era”: To improve the business environment, especially for SMEs, and support the development of a strong and sustainable industrial base that can compete globally;
6. Employment and skills – “An agenda for new skills and jobs”: To modernize labour markets by facilitating labour mobility and skills development throughout life, in order to increase employment participation and improve the match between labour demand and supply;
7. Fight against poverty – “European platform against poverty”: Ensuring social and territorial cohesion so that the benefits of growth and employment are distributed equally among the population, and that the people affected by poverty and social exclusion can live with

dignity and have an active participation in society.

The first three initiatives are part of the so called smart growth, the fourth and fifth are part of the sustainable growth and the sixth and seventh of the inclusive growth. Such a thematic concentration on the Europe 2020 Strategy implied that the definition of the thematic objectives for cohesion policy took into account the objectives and goals for growth and job creation set out in that strategy. The eleven thematic objectives of cohesion policy for the 2020 programming period are:

1. To boost research, technological development and innovation;
2. To improve the use, quality and access to information and communication technologies;
3. To improve the competitiveness of SMEs, the agricultural sector, the fisheries and aquaculture sectors;
4. To support the transformation of the European economy into an economy with low carbon emissions in all sectors;
5. To promote climate change adaptation and risk prevention and management;
6. To protect the environment and promote the efficient use of resources;
7. To promote sustainable transport and remove bottlenecks in key network infrastructures;
8. To promote employment and labour mobility;
9. To promote social inclusion and fight poverty;
10. To invest in education, improve professional skills and develop lifelong learning;
11. To improve the institutional capacity and effectiveness of public administration.

Despite the alignment with the goals of the Europe 2020 Strategy and the corresponding modifications, the cohesion policy's objectives of the 2014-2020 programming period are very similar to the ones of the previous period. The two objectives of the 2007-2013 programming period, convergence and regional competitiveness and employment, in the 2014-2020 programming are grouped in a single objective: investment in growth and employment (Table 1). The

territorial cooperation objective of the previous programming period remains unchanged. Thus, in the 2014-2020 programming period, cohesion policy funds will be used exclusively with two main objectives:

- i. Investment in the promotion of economic growth and job creation;
- ii. Promoting European territorial cooperation.

Table 1: Cohesion policy architecture (2007-2013 and 2014-2020)

| 2007-2013 | | 2014-2020 | | |
|--|---------------|-------------------------------------|------------------------|--------------|
| Objectives | Funds | Goals | Category of Regions | Funds |
| Convergence | ERDF and ESF | Investment in growth and employment | Less developed regions | ERDF and ESF |
| Gradual exclusion of convergence or phasing-out | | | Transition regions | |
| Gradual inclusion in employment and regional competitiveness or phasing-in | | | | |
| | Cohesion Fund | | | |
| Employment and regional competitiveness | ERDF and ESF | | More developed regions | ERDF and ESF |
| European Territorial Cooperation | ERDF | European Territorial Cooperation | | FEDER |

Source: European Commission (2011).

In the 2014-2020 programming period all regions will benefit from ERDF and ESF funds. Convergence regions are now called less developed regions. The phasing-out (or gradual exclusion of convergence) and the phasing-in regions (or gradual inclusion in employment and regional competitiveness) belong to the new category of transition regions. Finally, the regions belonging to the regional competitiveness and employment objective are now more developed regions.

The less developed regions are those with a GDP per capita below 75% of the EU-27's average GDP per capita. This category of regions covers 71 NUT II regions, located mostly in member states of Eastern and Southern Europe, which will receive around 51.8% of total resources (€182,200 million). The maximum co-financing rate is 75 to 85%.

Transition regions are those with a GDP per capita between 75% and 90% of the EU-27's average GDP per capita. This category of regions was created to support the regions that no longer meet the criteria established in order to take advantage of the funds provided under the convergence objective and might suffer as a result of a sudden reduction of European funds. According to the established criteria, there are 51 NUTS II regions, located mainly in Central Europe. These regions will receive around €35,400 million. The maximum co-financing rate in this case is 60%.

The more developed regions are those with a GDP per capita higher than 90% of the EU-27's average GDP per capita. This category includes the 151 most developed EU regions, which are located mostly in member states of Central and Northern Europe. Over the programming period they will receive around €54,400 million. The maximum co-financing rate is of 50%.

The Cohesion Fund will continue to co-finance investments in member states with a Gross National Income (GNI) per capita below 90% of the EU's average. Co-financing will focus on environmental infrastructure and in infrastructural projects included in the Trans-European Networks. The financial scope of the cohesion fund will also finance a new mechanism called Connecting Europe Facility.

Under the objective of growth and job creation, cohesion policy funds will target less developed regions, namely those with a per capita GDP below 75% of the EU-27's average (51.8% of the whole budget). The emphasis given to the European Territorial Cooperation (ETC) under cohesion policy is justified by the extent of the challenges faced by member states and EU regions across national and regional borders. The ETC provides a framework for joint action and policy and practice exchange between national, regional and local authorities of the various member states. The ETC's new legal framework concentrates investments in a well-defined set of areas and it has a clear focus on results. The main changes within these programmes are the following:

- i. Rigorous selection criteria to ensure that funds are devoted to actual joint projects;

- ii. Reduction in the number of managing authorities involved in programmes' implementation and a clarification of responsibilities;
- iii. Simplification of eligibility rules.

Financing priorities in the 2014-2020 programming period

The budget of the national and regional programs of cohesion policy in the 2014-2020 programming period is of €351,800 million (€450,000 million including national counterparts). The budget for the ERDF amounts to €187,500 million, for the Cohesion Fund it reaches €74,400 and for the ESF it is of €85,000 million. The distribution of these funds will take into account the principle of thematic concentration, so that member states and regions should focus their financial resources on a limited number of areas, in accordance with the Europe 2020 Strategy. The ultimate goal of this approach is to maximize the impact of investment, avoiding the dispersion of spending in various areas of activity, as occurred in previous programming periods.

These endowments were allocated to specific thematic objectives (TO). The thematic objectives that benefited the most from a financial point of view were TO7, TO1 and TO4. To the TO7, which supports investments in transport and energy infrastructure, corresponds €59,100 million (18.2%), to the TO1, which is dedicated to supporting investment in R&D and innovation, €40,000 million (12.3%) and to the TO4, which supports financial interventions in order to promote a low-carbon economy, €37,800 million (11.6%).

The amounts towards supporting SMEs (TO3), environmental protection (TO6), employment (TO8), social inclusion (TO9) and education and training (TO10) are very similar, around €32,000 to 33,000 million, representing around 10% of the budget. The thematic objectives with a lower budget are the TO2, devoted to supporting the digital agenda, with €13,700 million (4.2%), the TO5, which funds climate change adaptation measures, with €7,000 million (2.2%), and the TO11, dedicated to fund good governance projects, with €4,300 million (1.3%).

The priorities of each cohesion policy fund are quite different. The ERDF can be used in the eleven thematic objectives, nevertheless it will be used primarily to finance investments in R&D and innovation [TO1] (€40,000 million – 22% of the ERDF), to support SMEs [TO3] (€32,700 million – 18% of the ERDF), projects to promote a low-carbon

economy [TO4] (€30,000 million – 16.5% of the ERDF) and transport and energy infrastructures [TO7] (€25,600 million – 14% of the ERDF). The allocation of ERDF funding in each of the four thematic objectives differs depending on the regions' level of development. In the more developed regions at least 80% of the ERDF funds should be directed towards those priorities, in transition regions at least 60% and in the less developed regions at least 50%. In addition, for each category of regions there are minimum percentages of allocation by priority.

The resources of the Cohesion Fund can only be applied on four of the eleven thematic objectives (TO4 to TO7). Most of the Cohesion Fund resources will be geared towards financing transport and energy infrastructures [TO7] (€33,000 million – 54% of the CF). The remaining funds will be used to finance environmental protection [TO6] (€17,000 million – 27.5% CF), the low-carbon economy [TO4] (€7,700 million – 12.5% of the CF) and the adaptation to climate change [TO5] (€4,000 million – 6% of the CF).

The ESF funds will be concentrated on five priorities, which correspond to four thematic objectives. This funds will be primarily geared towards promoting employment [TO8] (€31,000 million – 38% of the ESF), education and training [TO10] (€26,300 million – 32.5% of the ESF) and social inclusion [TO9] (€ 20,900 million – 26% of the ESF). In each country, at least 20% of the ESF funding should be devoted to fostering social inclusion and fighting poverty and discrimination.

The budgetary allocation shows significant differences between member states. This distribution reflects different investment needs, which depend on their type and on their degree of economic and social development. In the more developed member states funds for financing innovation and R&D, ICT, SMEs and a low-carbon economy [TO1 to TO4] represent 44.5% of the total available funds, whereas in the less developed member states it only represents 35.2%. Similarly, in the more developed member states the resources allocated towards employment, social inclusion and education and training and capacity building [TO8 to TO11] concentrate 41.3% of the total, whereas in the less developed member states they will only reach about 26.7%.

Contrarily, in the less developed member states the thematic objectives devoted to finance network infrastructures and adaptation to climate change and environmental protection absorb, respectively, 24.2% and 13.9% of the total resources, well above of the 5.7% and 8.5% employed in more developed member states.

The 2014-2020 investment priorities changed significantly when compared to the previous programming period, due in great

extent to the linkage of cohesion policy with the Europe 2020 Strategy. In the ERDF priorities of concentration [TO1, TO2, TO3 and TO4], there is a 22% increase in resources in the 2014-2020 programming period over the previous one, reaching €124,000 million. In the current programming period, a strong increase of funds aimed at strengthening institutional capacity and the efficiency of public administrations is also observed. The increase in resources is higher than 70% (up to €4,300 million) in comparative terms.

In the ESF priorities of concentration [TO8, TO9, TO10 and TO11] the budget remains virtually unchanged, with approximately €98,000 million being made available. The priorities of the thematic objectives relating to investment in infrastructure [TO7] and environmental protection [TO5 and TO6] experienced, respectively, 21% and 27% reductions.

Discussion and conclusions

Cohesion policy is a key pillar of European integration. The investment mobilised over the various programming periods served to balance the impacts caused by the European single market and simultaneously allowed for the strengthening, qualifying and training of the production factors from the less developed EU regions. Although the regional convergence process has not been as intense as expected, cohesion policy instruments have continuously provided capital to disadvantaged regions stimulating economic activity and employment and stabilizing its macroeconomic framework.

The focus, strategy and goals of cohesion policy have experienced profound changes over the past three decades. The initial objectives of promoting regional development and reducing disparities between regions have been progressively replaced by others such as promoting growth and employment. Consequently, this change implied the reorientation of cohesion policy's instruments, the structural funds, to objectives and interventions with impacts on competitiveness levels of the European economy, thus becoming the main financial instruments for the support of the Renewed Lisbon Strategy.

In the present context there is considerable divergence between the objectives of cohesion policy, focused on competitiveness, and its intervention tools, designed to promote cohesion. The change in the cohesion policy's strategy was not accompanied by a reform in its instruments. This mismatch is made evident in difficulties regarding the implementation of the strategy on the ground, particularly because some of the principles that govern cohesion policy, and, by extension,

cohesion funds, are poorly suited to achieve macroeconomic goals, given that they have microeconomic or spatial foundations.

The current cohesion policy seeks greater efficiency and greater concentration and hence greater homogeneity in its interventions. In an enlarged Europe, where regional realities are increasingly diverse, this homogenizing strategy raises effectiveness problems, due to the lack of adaptation to the regional needs in general and to the economic and business structures of some particular regions. Furthermore, in the current framework, cohesion policy responds increasingly to demand motivations rather than to supply problems, as it did in the first programming periods.

Another problem affecting the effectiveness of cohesion policy is the high degree of discretion granted to national authorities in order to decide, in a close dialogue with the Commission, the projects to be financed under pre-established priorities. This degree of freedom is intended to accommodate specific national circumstances, but it also implies a high risk of dispersion and therefore a loss of effectiveness in interventions. In other words, thematic concentration prevents dispersion across themes, but does not guarantee consistency within each of them.

The reorientation of cohesion policy towards competitiveness objectives is jeopardizing basic cohesion objectives, at least in less developed regions with infrastructural deficits. This limitation stems from the dominance of immaterial interventions and the demonization of material interventions, namely those that imply new public works or increased infrastructural capacity. The new priorities do not include interventions for improving accessibility to certain regions, although their impact on the economic and social cohesion of these territories could be very significant.

The prioritization of immaterial interventions, in particular those regarding the strengthening of R&D and promoting innovation, raises different types of problems. The first problem stems from the lack of evidence on the relationship between this type of investment and economic and social cohesion and regional convergence. The empirical results conclude that the impacts of these interventions are not equally distributed across space and end up favouring territories with greater capacity to absorb their outputs (generally the more developed regions).

Another problem derives from the difficulty that some regions, particularly the less developed ones, have to carry out immaterial interventions and therefore absorb the available funds. Additionally,

many immaterial projects co-financed by cohesion policy in the 2006-2013 programming period present low rates of return (EC, 2011). Finally, the central role of the firms in the current programming period, particularly in intangible interventions, intensifies the previous problem, given that the weakness of the business community of these regions, both in terms of capacity and in terms of resources, hampers the agents' mobilization, the submission of proposals, the assimilation of funds and hence the implementation of the cohesion policy. This issue is intensified in those economies that continue to be affected by the shortcomings of credit rationing.

The aforementioned problem is related to a more generalised one. The reduced execution rates, especially in certain countries of the Union. This issue, which has already affected the previous programming periods, poses major challenges in the 2014-2020 programming period. The economic crisis has negatively affected execution rates because of the necessary caution in launching new projects and the difficulty in mobilising national counterparts. In the private sector, the weakness in demand has stalled proposals and, in the public sphere, the need to balance public finances has affected the decisions on spending, particularly in what concerns investment spending. The reduced economic growth rates envisaged for the EU in the coming years and the continuation of fiscal consolidation policies in the euro area countries may hamper the implementation of programs and limit the expected impact.

Problems regarding the focus and implementation of cohesion policy, which are beginning to show, justify a shift in some areas. First, the competitiveness dimension of cohesion policy should be reconsidered. The assumption according to which there can be no convergence without competitiveness, used to promote smart specialization in the context of the Europe 2020 Strategy, is exceedingly limiting. Arguments relating to efficiency should be complemented with others relating to equity. The less developed regions should be given priority in cohesion policy, both in terms of funding (as indeed they are) and in terms of policy design, by developing specific policies to better respond to their bottlenecks and potential.

The excessive weight of the competitiveness dimension is to some extent related to the priorities selection process. The mismatch between priorities, particularly in the intangible domain, and the reality of the less developed regions justifies the reorientation of preferences and interventions. The excessive emphasis on policies for

the promotion of R&D and technology production in the investment priorities is completely disconnected from the reality of many EU regions. In these contexts, the focus should be on investments in innovation from R&D transference and in technological adoption, adaptation and improvement. In addition to the change of focus, funds allocated to such priorities in less developed regions should be partially transferred to other priorities which result in investments with returns that can be locally appropriated.

Thirdly, and also relating to the previous one, there are problems derived from the progressive despatialization of the cohesion policy. Space must reassume a central role in cohesion. Without the incorporation of territorial specificities in policy design and priorities selection it is not possible to improve the overall policy effectiveness and the suitability of interventions. Certainly there are risks of fragmentation and dispersion, but the potential benefits might be significantly higher. Without place-based policies (Barca, 2009) it will be difficult for less developed territories to be able to make a positive contribution to national economic growth. The strengthening of the territorial dimension of cohesion policy also entails enhancing its urban dimension, given that cities allow for the balance of territories and enable to leverage economic growth.

Fourth, it is necessary to adopt measures to deal with the problems of low execution that may result from the economic stagnation that will affect Europe in the coming years. One solution could be to reclassify regions using additional criteria. For example, in addition to GDP per capita compared to the EU average (static dimension), the regional classification could take into account aspects such as the growth rate of GDP per capita (dynamic dimension) and whether or not the country was under a financial assistance program (country-specific dimension). The level of GDP per capita in relation to the average does not capture growth dynamics and, accordingly, those regions which in recent years have remained at a stalemate situation, probably reflecting structural growth problems, should be supported with greater intensity.

For the first time in its history cohesion policy has been subjected to a disruptive reform that puts competitiveness at the heart of its priorities. Cohesion has become a subsidiary goal of competitiveness and territories mere containers of policies grounded on top-down approaches. If there are no changes that alter its current formulation, cohesion policy in the 2014-2020 programming period can

contribute to an increase of regional disparities and to an intensification of the spatial concentration of activities.

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