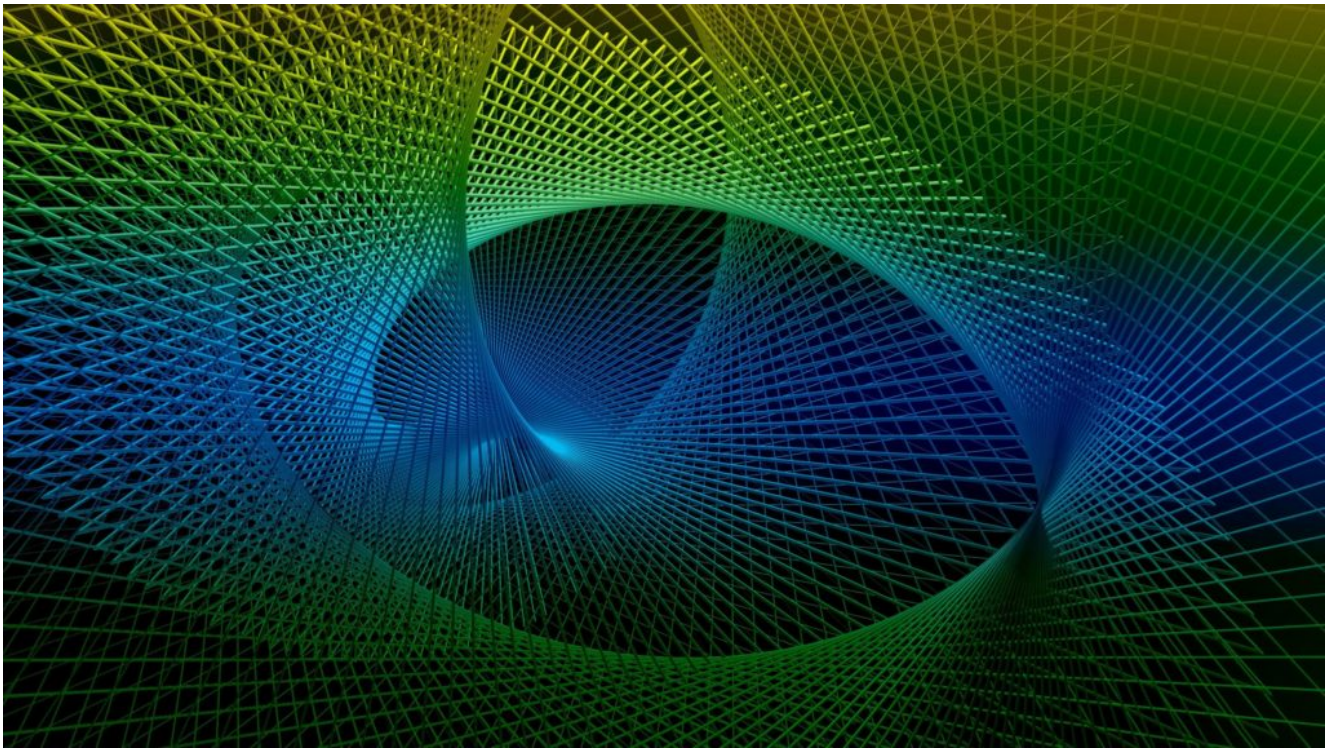
Perspectives on the future of the EU Cohesion Policy



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Introduction: Not doing more but better

European Union's Cohesion Policy has been in existence for about twenty years. The implementation of this policy acknowledges that the market forces are not necessarily sufficient to significantly reduce regional disparities. The EU therefore created this tool of financial solidarity between member states with the aim of improving the competitiveness of slow-growth regions and correcting regional unbalance. Since its creation, this policy has always reflected the need for a territorial cohesion and aimed at reducing regional disparities, restructuring regional economies, creating jobs and stimulating private investment.

With the present Multiannual financial framework (2014-2020) coming to an end, the traditionally long and difficult discussions are now under way. The future EU budget, the EU Multiannual Financial Framework 2021-2027, has been

intensively negotiated. For the European entities, it seems clear that profound changes are needed if the EU is to be able to face the most pressing challenges of the moment and to continue to have an impact in globalisation. Jean-Claude Juncker, President of the European Commission, described that the EU has been going through a “polycrisis” for about a decade and it is now necessary to draw conclusions. This requires an amended multi-year budget: Firstly, to gain flexibility, in order to be able to react to unavoidable emergencies; secondly, to gain in strength, to relaunch economic and social convergence and to face crises; and thirdly, to increase efficiency, even if it means reviewing established rules.

Territorial inequalities that are not always visible

The European Commission publishes a report on progress towards economic, social and territorial cohesion approximately every three years. Comparisons with the wealth gaps observed at different times show the extent to which Member States (NUTS 0 level) and EU regions (NUTS 2 level) are catching up. Although there is a global convergence process, there are nevertheless still some disparities that remain evident. For example, regions of Central and Eastern Europe situated close to the former Iron Curtain tend to experience higher growth rates than the regions situated in the East.

This can be partially explained by the fact that trade is more intense due to the existence of differentials (in cost, offering, structure by age, etc.) and associated regional growth distribution phenomena. From this point of view therefore, there is a shift from the Iron Curtain to the Golden Curtain (Bourdin 2015). Not all regions enjoy the same benefits depending on their location. A first challenge is therefore to be able to take into account this question of the (advantages of) location in the allocation of European funds.

Moreover, if the scope is changed, the convergence observed between EU Member States sometimes actually masks an increase in regional intra-state inequalities. Convergence phenomena observed at NUTS 3 level produce either convergence or divergence locally (Bourdin, 2015; Butkus et al., 2018). Some studies have particularly highlighted a quick growth recorded in metropolitan regions due to a concentration of service activities, direct foreign investment, and a significant number of start-up launches. On the contrary, Eastern regions find it difficult to reduce the gap with developed regions. Their industry is declining, their agriculture is fragmented and not very competitive, there is a lack of

infrastructure, and hardly any money is spent on research and innovation. The most recent developments confirm that some regional disparities, due to regional economic and social structures, geography or population density, persist and that the least developed territories remain the most vulnerable to the crisis (Crescenzi et al., 2016). The question of the scale at which we look at these inequalities and seek to reduce them is crucial.

A second challenge for the future Cohesion Policy 2021-2027 would be therefore to take into account the disparities in wealth that may exist within the same region, even when it benefits from a strong overall economic dynamism, such as the Ile-de-France region. It is essential that the search for territorial cohesion be carried out at all levels, and not only at European level, otherwise, there is a risk that some territories feel too neglected and victims of inequalities, with consequences in terms of the rise of populism (Rodríguez-Pose, 2018).

One of the difficulties also lies in the identification of intermediate regions, which may be partly forgotten by Cohesion Policy: some of them suffer from economic difficulties although they are not considered to be lagging behind in development from a statistical point of view (threshold of 75% of the EU average). In this respect, the allocation of regional funds according to the unemployment rate and no longer only GDP per capita could be a solution.

A Cohesion Policy that is more or less effective depending on the territory

As pointed out by Becker *et al*. (2012), Sotiriou and Tsiapa (2015) or Bourdin (2018), the impact of the EU funds on regional growth is not the same everywhere. One reason for this is that some regions do not only spend money in the sectors most likely to have the best economic returns (infrastructure versus education or R&D), but also on differentials in administrative capacity and regional governance. This spatial variation of the differentiated impact of structural funds across EU regions, combined with the heterogeneity of current regional economic development, questions the capacity of the European funds to reduce this unbalance.

In this context, a more targeted concentration of the aid would increase the effectiveness of the spent funds. The expertise regarding the regional policy has developed in this direction and, at the end of the first decade of the new millennium, a certain number of very convincing reports about the intervention of

the policy on regional development were published by important international entities such as the OECD, the World Bank, and the European Commission. These reports revealed two opposing points of view about an animated debate over European regional policy. On the one hand, there is the idea of a space-neutral regional development policy, emphasizing the advantages of agglomeration and the spillover from geographic concentration. On the other hand, a territorial approach (called place-based), which supposes that it is essential to take the geographic context into account—especially the role of institutions, the importance of local knowledge and socio-economic characteristics. With the Cohesion Policy 2014-2020, it was decided to propose a territorialized approach to the Cohesion Policy by taking account of its unequal effectiveness in Europe. From this point of view, the new architecture of the Cohesion Policy breaks tradition with the projects supported by the European Funds beforehand (European Commission, 2014). For the period 2014-2020, the European Commission invited each region to present its strengths and to establish a Smart Specialisation Strategy, known as RIS3.

The smart specialization strategy questioned

The resulting regional development strategies have been guided by the concept of intelligent specialisation, which attempts to translate a sectoral concept into a spatial context, linking the European Union's innovation strategy to Cohesion Policy (McCann and Ortega-Argilés, 2015). However, even though Cohesion Policy has contributed to growth and increased convergence at Member State level, we argue that it is likely to support the current processes of polarisation between EU regions. As Cohesion Policy focuses on maintaining the EU's global economic competitiveness, it moves away from its traditional objective of promoting territorial cohesion by supporting global development. Besides, it questions the EU's capacity to pursue its objectives of cohesion and competitiveness at the same time. Several questions are asked.

The first one concerns the ability of some regions with difficulties to implement such strategies due to their structural lag (low capacity of innovation, declining demographics, low level of training, low capacity to unleash European Funds, etc.). Specialization, based on performance and competitiveness between the regions, makes the unbalance worse. Some regions (the most developed ones) already have the adequate skills (soft skills) to enable them to use the European structural funds in the best possible way, and others (more fragile) are not in a

position to make the most of what such funding allows.

The approach implies that each region defines its own strategy of intelligent specialisation enabling it to find its own development path and strengthen its competitiveness at national and international level on the basis of the resources at its disposal (place-based policy). However, there is a “copy and paste” phenomenon where regions finally find themselves doing “smart” and “green” by proposing strategies based on innovation in new technologies; it should be noted that the polysemy of the terms used leaves great scope for all regions to put in place what they want in terms of strategy. It is also questionable whether the most difficult regions can implement this strategy of intelligent specialisation based on innovation, while some of them, more than ten years after their integration into the EU, are still struggling to find their way to growth in the face of capital regions that continue to attract a large proportion of investment. Not all regions may have the territorial resources to implement such strategies (based on knowledge-intensive value creation) that are better suited to regions in advance than to regions lagging behind. However, among the European policies that should have significant funding, there is research and innovation, whose budget is up by 50% compared to the previous multiannual financial framework.

Seems legitimate,therefore, to question the contradictions between the objectives of EU Cohesion Policy, the requirements of the RIS3 programme and the ability of peripheral regions to implement this strategy. Thus, more than a place-based policy, there is a need for a place-sensitive policy, aiming at maximising the development potential of each territory (Rodriguez-Pose, 2018) regarding their real regional specificities. Some regions would probably feel more comfortable with the idea of building an intelligent specialization strategy based on industrial development than on knowledge development. The following priorities have been defined: security, defence, strengthening of certain policies, in particular in favour of youth mobility, climate change. The future Multiannual Financial Framework will therefore have to combine, in the same proportion, savings in existing programmes and additional resources on new priorities. It will also have to propose a Cohesion Policy for all regions, taking into account their specific territorial characteristics.

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