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Turning Water into Wine?

"Money, money, money must be funny" – informed us the Swedish mythic pop group back in the 70's. On a different note, "if you would know the value of money, go and try to borrow some" – advised Benjamin Franklin in his *Memoirs* (Volume II) (1771–1790). Offering money, or if one prefers "fund", is still another sport.

Cohesion is the essence of unity, whilst cohesion policy is the essence of reduction of disparities between the levels of development of various regions and the backwardness of the least favoured regions, according to Article 174 of the Treaty on the functioning of the European Union. This policy derives from solidarity and was put in place, thanks to the great efforts of Jacques Delors at the end of the 80's in reply to the appearance of interregional disparities resulting from the accession of the Southern enlargement of the 80's.

Reducing such disparities has a direct effect on a level playing field among Member States in a Union characterised by a highly interrelated and open internal market. The policy has a direct consequence on competition in the sense that inequalities in the Union can have negative effects on underdeveloped regions, and aims, therefore, at fulfilling the completion of the internal market in the most harmonious way possible. In essence, Cohesion Policy can turn water into wine, while in its absence; wine very quickly can turn into vinegar.

The aim seems to be clear, while its contour is ever changing on the rhythm of different enlargement waves changing the regional landscape of the EU in the light of budgetary possibilities and constraints.

Indeed, the fact remains that economic reality is strongly underlying every EU policy, this is particularly the case of the Cohesion Policy.

The third Hungarian Presidency special edition of the *Európai Tükör/European Mirror* dedicated to Cohesion Policy intends to find the contours of the future of this policy having regard to its past and present with the help of Tamás Kaiser, Boglárka Koller, Zsuzsa Kondor, Zsuzsanna Fejes, Ottília György, Árpád Lapu, and Lóránt Zsombor Kocsis.

Krisztián Kecsmár
Editor-in-Chief

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Tamás Kaiser[1]

Post-2027 Cohesion Policy for All[2]

A Need for Reinforcing Territorial Dimension

The uneven development and territorial disparities in the European Union (EU) have been increasing for years and has now reached a level that increasingly threatens its economic and social cohesion as well as the political stability. Cohesion policy is therefore more important than ever to ensure the competitiveness and cohesion of the EU. Based on the critical overview of the relevant literature, policy documents, conceptions and narratives, the paper argues for a renewed cohesion policy with reinforced territorial dimension, that should focus on place-based strategies, keep balance between efficiency and equity, as well as capable working together with other EU and national policies and initiatives.

Keywords: territorial inequality, cohesion, competitiveness, cohesion policy, territorial development, place-based approach

Introduction

Inequality between cities and regions in the developed world – after falling from the high level of the 1980s in the 1990s – has risen sharply again since the turn of the millennium. The uneven development in Europe has also been increasing for years and has now reached a level that threatens its economic and social cohesion, as well as the political stability.[3]

In the EU27, in particular, the picture is rather complex. On the one hand, in many formerly industrial and/or peripheral regions, located mostly in eastern and southern Europe, employment and competitiveness have continuously decreased in the long term, whereas in the same countries some metropolitan regions have gained a higher proportion of high-wage jobs. On the other hand, a large number of metropolitan regions were

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2 TKP2021-NKTA-51 has been implemented with the support provided by the Ministry of Culture and Innovation of Hungary from the National Research, Development and Innovation Fund, financed under the TKP2021-NKTA funding scheme.

3 Rodríguez-Pose 2018; European Commission 2024a.

severely affected by the crisis in Western Europe, while some rural and intermediate regions proved to be more resilient. The result is a fine-grained, multi-scale territorial patchwork of differences in real incomes and labour market participation rates: between states and regions; within regions, between core areas and peripheral areas; and between prosperous and less prosperous metropolitan regions.[4]

Within this overall picture, long-term regional economic stagnation is becoming the norm in many parts of Europe at various levels of development.[5] Since stagnation has received some attention at the international level under the guise of the "middle income trap", it is equally meaningful to talk about the emerging "regional development trap" in Europe. Such phenomena underscore the perception of different "economic clubs" divided between a shrinking number of dynamic and competitive "super-regions" in which economic and political power are concentrated, and a growing number of lagging and "left behind" places that are increasingly perceived as they matter much less than before.[6]

Due to the growth of inequalities, an "evergreen" dilemma and trade-off between economic competitiveness and social cohesion came to the fore. Practically, the EU must continue to maintain the prosperity of its most dynamic regions in order to strengthen its economic position in the world, while at the same time, there is a strong need to reduce persistent territorial inequalities that are economically inefficient and have become too politically and socially dangerous to ignore.

Cohesion is therefore more important than ever to ensure the competitiveness and cohesion of the EU. In broader terms, cohesion policy, as always, has once again proved to be an "experimental laboratory" for developing and testing the future public policy system of the EU. The preparation process for the next programming period (2028–2034) links to the harmonisation of territorial development policies, an exclusive competence exercised by Member States, and to a strong intention to form common principles, priorities and actions for establishing the post-2027 cohesion policy in the framework of the Territorial Agenda 2030 and other key strategic discussion papers and reports.[7]

However, the complex challenges facing Europe today in the form of climate change, energy crisis, demographic challenge, mass migration, digital and green transition, permanent crisis management are significantly different from those it faced when the policy began. No doubt, that cohesion policy is the main instrument and the dynamic vehicle to keep the Member States together to create a cohesive Europe: "Since its creation, it has been considered a fundamental mechanism to foster EU integration and offset the potential adverse effects of the Internal Market on regional disparities."[8] However, despite the huge efforts cohesion policy has made in recent decades to achieve balanced and harmonious development, the emergence of various regional clubs and club memberships witness the persistence and deepening of territorial disparities. In the absence of taking stock and drawing lessons, the complex challenges, shocks and

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4 Dijkstra et al. 2015; Iammarino et al. 2019.

5 European Commission 2017a; European Commission 2022.

6 Rodríguez-Pose 2018; Martin et. al 2021.

7 European Commission 2022; Hunter 2023; European Commission 2024a; European Commission 2024b.

8 Dhéret 2011: 1.

crises in the past and mostly in the 2020 decade may lead to an "identity crisis" in terms of the cohesion policy's original purpose and long-term value.[9] In order to avoid these bottlenecks, the preparation of the post-2027 cohesion policy and the relating scenarios started in time.

Against this background, the paper relies on three assumptions.

Firstly, facing the challenge of increasingly complex problems cohesion policy has to tackle other objectives for innovation, energy, climate change among others that require intense collaborations with other sector policy initiatives and instruments in the form of an enhanced multi-level governance.

Secondly, in order to go beyond the old debate between cohesion and competitiveness, it is necessary to reinforce territorial dimension as the core concept for post 2027 cohesion policy. In response to the gradually increasing narratives of sustainable development and competitiveness, cohesion policy should take on different territorial, place-based approaches according to the special needs and assets of its target areas.

Thirdly, within an overarching framework of territorial development, cohesion policy should support all regions, but in a more targeted, fine-tuned and efficient way, avoiding the "double trap" of fragmentation and centralisation.

Based on the critical overview of the relevant literature, policy documents, conceptions and narratives, the paper argues for a renewed cohesion policy with reinforced territorial dimension that should focus on place-based strategies, keep balance between efficiency and equity, as well as capable working together with other EU and national policies and initiatives.

Territorial inequality and its underlying factors: a long-lasting challenge for the EU

The level of inequality between regions and cities in the developed world – which decreased significantly in the 1990s compared to the previous decade – began to increase again after the turn of the millennium. Relative employment rates and income levels decreased in many small and medium-sized industrial cities. Stagnation is also apparent in the surrounding suburban and rural areas. At the same time, many large metropolitan areas, which exhibited a downward trajectory from the 1960s to the 1980s, are now showing dynamic growth. Nevertheless, inequality is far from being a one-dimensional concept. Linked to income and wealth by its tradition, inequality is influenced by many other factors in a form of access to basic public services, the quality of education, health and infrastructure, family background, nationality, gender, age and so one. In recent years, the socio-economic dimension of territorial inequality – including the problem of areas that have been in a negative spiral for a long time, essentially "left behind", and inner peripheries, that "don't matter" – has been gaining in importance.[10]

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9 Koller 2011; Hunter 2023; European Commission 2024a.

10 Rodríguez-Pose 2018; Iammarino et al. 2019; European Commission 2023.

In Europe, the situation is particularly complicated, as a multitude of combinations of strengths and weaknesses in the economic base, welfare, life opportunities and living conditions exists around it. According to the recent survey published by the European Commission, inequality has been growing in many countries over the past three decades, a trend aggravated by the crisis that began in 2008 and deepened in the 2020 decade in the form of persistent regional asymmetries.[11] On the one hand, there is a clear difference between the dynamically developing metropolitan agglomerations and the declining industrial and geographically peripheral regions. On the other hand, many metropolitan regions were hit hard by the financial and economic crisis, while some rural regions and other areas that do not fall under either category demonstrated greater resilience.[12] As a result, diverse forms of quantitative and qualitative values for real income levels and labour market participation have emerged between states and regions, within regions, between core and peripheral areas, and between prosperous and less successful metropolitan regions. Today, 120 million EU citizens live in what are considered less developed regions (regions with a GDP per capita at all below 75% of the EU average), 60 million in regions with GDP per capita lower than in 2000, and 75 million in regions with near-zero growth.[13] Overall, one third of the EU population lives in places that have slowly fallen behind. Economic activity has become increasingly concentrated in major urban areas, while many regions – often caught in development traps from which escaping is difficult – are stagnating.[14]

The growing inequality between regions can be traced back to two drivers. The first can be understood in terms of the long-term changes in economic structures. Accordingly, the technological innovation that began in the 1970s manifestly encouraged the concentration of advanced technologies and knowledge-intensive industries in metropolitan areas. This period saw the flow of highly qualified, creative labour force towards the economic core regions. During the past decade, however, the wave of digitalisation and automation that has spread across the previously dominant industrial sectors has brought about a revolutionary change in commercial costs and the partial replacement of medium and low-skilled labour. Industrial activity has grown even more geographically diverse, with a significant share of production processes outsourced from the core regions to the peripheries. Changes in the territorial diversification of production have led, among other things, to the mass disappearance of jobs, including the performance of routine tasks. The second driver is the capacity of the regions to develop, which means the location-specific features of its inhabitants, companies and formal and informal institutions, their ability to innovate and react to changes, as well as the extent to which they are utilised.[15]

The growth of inequality poses a serious challenge for Europe presenting a number of urgent tasks and dilemmas. On the one hand, it is necessary to maintain growth in the most dynamically developing regions, preserving and strengthening their competitiveness in the global market. On the other hand, stagnant and lagging regions cannot be

11 European Commission 2023.
12 Dijkstra et al. 2015.
13 European Commission 2024a: 11.
14 European Commission 2023: 3.
15 Bentley–Pugalis 2014; Martin et al. 2021.

neglected either, as recent and current socio-political processes make it abundantly clear that sustained territorial inequality is both economically undesirable and politically harmful. What all this entails is that the post-2027 cohesion policy and related research must respond to the complex problem of inequality both within individual countries and in relation to international trends.

Regional economic clubs and the variation of "club membership"

Several studies and publications have emphasised various aspects of territorial inequalities in the EU so far.[16] The recent data show that disparities in terms of gross domestic product (GDP) per capita are high in the EU but at the same time decreasing. For example, GDP per capita in Luxembourg is five times higher than in Bulgaria, while GDP per capita in Southwest Ireland is almost eight times higher than in Sverozapaden, Bulgaria, and nine times higher than in the French outermost region Mayotte. Nevertheless, Europe has experienced a significant dynamic of upward convergence over the last 20 years in terms of GDP per capita.[17] Thanks to cohesion funding, the GDP per capita of less developed regions is expected to increase by up to 5% by 2023. The same investments also supported a 3.5% reduction in the gap between the GDP per capita of the 10% least developed regions and the 10% most developed regions.[18] However, territorial inequality has many related side effects, which can be different from place to place, fundamentally characterised by the outmigration of young, active people, loss of social infrastructure and professionals, lower attractiveness for firms to invest and loss of qualified employment, and much more.

The interaction of economic resources in the broad sense of the term and regional characteristics compel countries, regions and urban clusters to form specific groupings according to the structural positions, roles and functions they occupy in the fabric of the economy.[19] Based on this, development creates different "clubs", which are suitable for describing the unequal patterns of development, the support for development, and the system of objectives and means for closing the gaps, as well as the different perspectives regarding how to do so.

According to the "club theory", the Lagging Regions Initiative, launched by the European Commission in 2015, distinguished between two groups of regions.[20] The first group comprises the so-called low-growth regions (primarily found in southern EU Member States). In these regions, GDP per capita remains below 90% of the EU average, and never approached the average at any time between 2000 and 2013. The second group consists of the so-called low-income regions (located mainly in the eastern EU Member

16 ESPON 2017; European Commission 2017a; ESPON 2019; Rodríguez-Pose–Ketterer 2020; Dijkstra et al. 2020.
17 European Commission 2023: 2.
18 European Commission 2022.
19 Scott–Storper 2003.
20 European Commission 2017a: 1.

States), where the GDP per capita did not reach 50% of the EU average at any point in 2013. Out of the total population of the EU, approximately 83 million people live in one of these two types of regions. Regions with low growth see stagnating productivity, rising labour costs and a high debt ratio, which hampers exports and slows down the pace of investments. The suitability of the business environment varies significantly within individual countries depending on the efficiency of regional and local administration. The basic problem for low-income regions is one of weak infrastructure and poor accessibility. Both types of regions have underdeveloped innovation systems as well, as the lack of professional skills hinders its competitiveness. This problem is exacerbated by the outflow of the younger and better-educated segments of the population, especially in low-income regions. On the other hand, the significant decline in public and private investment is a major source of problems in regions with low growth. In order to address these challenges, the report recommends development in the following areas: regional innovation systems, infrastructure and institutional capacities, as well as the linking of the cohesion policy and the so-called European Semester, in order to guarantee the needed macroeconomic and structural conditions. The most important conclusion is that "bespoke" investments and public policy responses would be required in order to allow each region to move to a higher level of development.[21]

However, the Seventh Cohesion Report, which was also published in 2017, refrained from using the typologies of low-growth and low-income. Instead, it allocated the EU regions into four new "clubs" based on their level of development: regions with very high per capita personal income (PCPI) (very high); regions with high PCPI (high); regions with medium PCPI (medium); and those with low PCPI (low).[22] This typology was further developed and fine-tuned later in the academic and policy literature.[23]

The very high (VH) income club fundamentally consists of metropolitan and capital regions that are connected to many other urban networks (e.g. Rhine-Ruhr or Randstadt Holland region). These regions have long enjoyed high productivity growth exceeding the national average, as well as the capacity to attract new residents.

Members of the high-income (H) club exhibit similar features to those of the VH club, but are less oriented around major metropolitan areas, and their demographic growth dynamics are also slower. Their employment rates are high, and they often show satisfactory productivity growth.

The medium-income (M) club includes those parts of Northwest Europe that do not belong to the previous two groups. This category is divided into two sub-groups. The first of these in particular the former industrial and rural regions that have suffered greatly from job losses, reflected in employment rates that have stagnated or undergone long-term economic decline and restructuring. Population growth is slow or dropping altogether, and the level of unemployment varies over time. These regions – economically vulnerable, with declining (or completely moribund) industrial production, inflexible educational and vocational training systems, resulting in low

21 European Commission 2017a: 48.
22 European Commision 2017b.
23 IAmmarino et al. 2017; Iammarino et al. 2019.

labour market participation all appearing in various forms – make up the so-called "left behind" places. These regions express feelings of marginalisation, abandonment, economic insecurities, declining living standards, anxieties about the future that often generate deep discontent against elites and mainstream institutions of the EU.[24] Regions that make up the second group are stuck in a development trap, which concept borrows from the well-known theory of middle-income trap.[25] The regional development trap is the result of a long-term economic stagnation by which the region is unable to retain its economic prosperity relative to its past performance. Regions in a development trap or at risk of being trapped, show lower shares of manufacturing industry and higher shares of non-market services (mainly covering public services in the areas of social welfare, health, education, and defence), as well as lower levels of secondary education attainment among the working-age population and higher age dependency ratios. These regions often experience an increase in population, but this is essentially due to the relatively large number of people from elsewhere settling in them. The income brought in by the new residents, along with financial transfers in the form of pensions and health insurance, as well as the spending based on these, cause multiplier effects at the local level, especially in the area of services. However, labour market participation is low, with employment typically generated by services that meet local needs, which is sustainable even with relatively low levels of education, innovation potential and export capacity.[26]

The low-income (L) club essentially consists of regions of Eastern and Southern Europe characterised by low employment rates, low-quality government, low levels of R&D, and a relative lack of accessibility.[27]

However, despite the growing number of analytical categories, the different terminologies built around the phenomena of uneven development or spatial disparities show fundamental gaps in its specification. When it comes to "left behind" or "lagging" places, multiple domains have been emphasised including economic disadvantage and limited job opportunities, social and cultural marginalisation, ageing and demographic shrinkage, poor health, significant out-migration, political neglect and reductions in public service delivery and infrastructure development. In addition, the time scale and periods over which the effect of these terminologies are measured differently, that is a major obstacle to national and international comparisons between regions concerned. As a result, it is much better to define a place as "left behind" or "lagging", if it consists a combination of the above listed specific characteristics.

These methodological issues shed light on the limitations of the existing categorisation of underdeveloped (lagging, left behind, medium- and low-income) regions.

In order to better identify and analyse the state of the places falling behind, relying on the study of Pilati and Hunter, we propose a comprehensive typology that highlights the diversity of EU regions when it comes to growth performance.[28] Firstly, the lagging concept should be divided into lagging (whose progress in GDP growth is slower

24 Dijkstra et al. 2020; MacKinnon et al. 2022.

25 Diemer et al. 2022; European Commission 2022; European Commission 2023.

26 Diemer et al. 2022: 488.

27 Iammarino et al. 2019: 283–284

28 Pilati–Hunter 2020.

than others) and catching up (whose progress is faster compared to others) regions. Secondly, these categories – complemented by the terms of "left behind" and "trapped" regions – could be match to the current Cohesion Policy categories of regions. As a matter of lagging regions, low-income regions are less developed regions with a very low level of GDP/head (less than 50% of the EU average), while low-growth regions can be labelled as less developed or transition regions that can be further divided into "left behind" or "trapped" categories. The last two are the most mobile, as they can arise at many different levels of income: "left behind" regions at medium and low levels, "trapped" regions at high, medium and low levels (Table 1).

Table 1: Concepts and categories of „club-theories"

Concept	**Categories**		
Cohesion Policy	Less developed regions	Transition regions	More developed regions
Lagging regions	Low-income regions	Low-growth regions	
Regional development trap	Trapped regions or at risk of falling one	Trapped regions or at risk of falling one	Trapped regions or at risk of falling one
Left behind	Left behind regions	Left behind regions	
Catching-up	Catching-up regions	Catching-up regions	

Source: compiled by the author based on Pilati–Hunter 2020: 19.

The most important lessons of the "club theories" is that the categories of EU cohesion policy – especially in a case of less developed and transition regions – can be broken down into a number of sub-categories. This implies that the application of "one-size-fits-all" or "off-the-shelf" solution models does not necessarily lead to results. This calls for an overview of relevant paradigms, narratives and concepts of territorial development as powerful tools for unravelling the unique assets, weaknesses and opportunities of each region.

Competing paradigms in territorial development: how to make a balance between trade-off effects?

Even though each "club" faces different development opportunities and constraints, it is widely accepted among scholars and practitioners that territorial development strategies have to encourage economic growth and provide the necessary conditions and tools for catching up at the same time. However, the real question is whether the solutions offered by existing theories can overcome the dilemma between efficiency and equity (Table 2).

Table 2: Spatially blind versus place-based policies

Spatially-blind policies **Leading advocate: World Bank 2009**	**Place-based policies** **Leading advocate: Barca 2009**
National focus	Territorial focus
Unfettered markets	Tailor-made support for places
Labour mobility	Labour embeddedness
Large cities	Dispersed growth based on different territorial capitals
Agglomeration effects, urban density, growth-poles	Balanced and harmonious development
Dispersion of policies and expenditures seen as a risk for growth	Inequality seen as a risk for growth

Source: compiled by the author

The so-called spatially-blind and people-based framework focus on successful models of agglomeration effects and efficiency, which may boost overall growth and generate positive externalities but do very little to solve the problems of declining and lagging areas. The agglomerative benefits arising from geographically uneven and concentrated growth by assuming that the positive effects of developed regions "trickle down" to lagging areas.[29] In this point of view, unequal development is the price that must be paid for maximising economic productivity, which increases the overall size of distributable assets. Defining itself as a universal approach, the "city-growth" paradigm devoted less attention to the problems and effects of regional inequality by assuming that knowledge and technology spill-over effects will correct any type of regional inequalities in terms of GDP/capita, living standards, employment rate, productivity of labour force, research and development intensity.

However, approaches based on agglomeration effects, urban density and growth poles have come under heavy criticism from several angles.[30] The expected "spill-over" of knowledge turned to be inappropriate to solve the problem of lagging regions, since the "backwash effect" coming from agglomerations is much more powerful than the efforts to encourage the spread of knowledge are. One of the main obstacles to the geographic spread of knowledge is the so-called distance-decay phenomenon: as the distance between actors increases, the interactions between them weaken as well. Consequently, labour mobility in and of itself proves to be insufficient for mitigating regional inequalities, as demonstrated by the relatively low level of internal population movements in European countries over the past three decades. One of the main reasons for this is the fact that both the direction and dynamics of labour market movements depend on labour market needs, and on the employee side, on their level of education and adaptability. Since capital movements and related economic functions are regularly reorganised both within countries and in the transnational dimension, highly skilled workers enjoy many more opportunities to find employment in non-routine jobs. The willingness and opportunities to relocate on the part of low-skilled workers typically living in lagging regions are, by contrast, much more limited – precisely because of the above factors.

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29 World Bank 2009.

30 Bentley–Pugalis 2014; MacKinnon et al. 2022.

Besides, the "city-growth" paradigm evolved in parallel with the people-based approach that forms essential part of the spatially-blind argument. Importantly, the people-based approach supports and encourages disadvantaged people by centrally managed job-creation and social subsidies to move towards more developed areas to exploit the economic benefits of their development. Translating this narrative into practice, however, led to the problem that the mobilisation capacities of individuals cannot be based on targeted development programs alone, as their sustainability is subject to numerous factors that are highly dependent on external conditions.

Although enhancing growth as well as fostering preconditions of geographical labour mobility and spillovers of knowledge are both essential in tackling territorial inequalities, the strong territorial embeddedness of public policies for this purpose also determines the opportunities of individuals and communities. This recognition has to be seen in relation to the globalisation process, which made development more localised and complex expressed by the place-based approach, which is grounded on the territorial differences in the accessibility of specific resources, growth potential and vulnerability, even within the same country.[31]

The place-based narrative played an influential role in challenging both the conventional redistributive and spatially blind conceptions by relying on the under-utilised endogenous local assets and knowledge – the so-called territorial capital – in all areas. This narrative rejects universal, one-size-fits-all approaches, as it recognises that regional disadvantages are multidimensional and that the causes of economic decline can often be traced back to a combination of social, community, cultural, and environmental problems.[32] However, this kind of paradigm accepts that some degree of spatial inequality is inevitable, and that every region must take responsibility for their success or failure. From this perspective, a place-based approach favours localities with stronger institutions and capacities, which is typical of more developed regions. Accordingly, many researchers and practitioners have criticised the place-based narrative because of its overemphasis on the endogenous drivers of development outcomes. On the contrary, place-based strategies are also highly contingent on exogenous factors, including spatially blind policies.

To sum up, the real problem with all these territorial policy narratives is the still unsolved puzzle of the trade-off effect between economic efficiency and equity. Place-based policies assume that less developed areas can always catch up if they have the right facilities and that declining areas can address the causes of their decline. On the one hand, however, the development of economic geography theory and empirical evidence show that labour mobility and the spread of innovation most often exacerbate economic polarisation and limit the equity-enhancing effects of territorially blind policies: regional inequality and social marginalisation go hand in hand. On the other hand, low mobility, inadequate connectivity in areas other than physical infrastructure, and weak institutions mean that place-based policies often function more as social rather

31 Barca 2009; Medeiros et al. 2023.

32 Fási 2019, Fejes 2023; Kaiser 2023.

than genuine development policies. In sum, an excessive focus on efficiency can increase territorial inequalities, while an excessive focus on equity undermines efficiency. Policy alternatives that consider both of the dimensions can better address the problems and potentials of the underdeveloped places.[33]

Despite many efforts, striking a balance between strengthening growth and reducing territorial disparities will continue to be one of the main challenges of regional development. One possible way of tackling trade-off effects could be the use of the place-sensitive development policy. It relies on the "club theory", as development policies are differentiated to some extent by the type of designated place (region or locality) and thereby intended to be sensitive to the development or other problems shared by that particular type or "club" of assisted regions or localities. Policies typically designed by the central government are "top down", although they may also consist some elements of local discretion or autonomy on planning and implementation.[34]

The territorial dimension in cohesion policy reforms: changing positions between different narratives

Territorial cohesion is a cross-cutting concept without a clear-cut definition, which overlaps different categories and lacks a specific definition, though its basic features have been adopted in the EU cohesion policy literature.[35] The concept was originally one of the key conceptual elements of spatial development, but after entering into the acquis by way of the Lisbon Treaty, it has also become an essential pillar of cohesion policy as well as a new goal of the EU.

However, despite its undoubted advantages, even the broadly accepted concept of territorial cohesion can overcome the "evergreen" dilemmas and trade-off effects between competitiveness and catching up. The concept has several, but often competing dimensions coming from different actors with influential strategies and narratives.[36]

In the context of the EU, the interpretation of territorial cohesion is made even more complicated by the fact that in practice, competitiveness and cohesion often comes up against each other based on different sub-dimensions (Table 3).

33 Iammarino et al. 2017: 27.

34 Martin et al. 2021: 89.

35 In the course of the debates so far, three main directions in interpreting territorial cohesion have appeared. Territorial cohesion is primarily about mobilising development potential, not compensating for handicaps. Secondly, it consists of a method of an integrated approach, which suggests ways of improving synergies between sectoral policies that have a strong territorial impact. Thirdly, territorial cohesion emphasises the importance of the need for a flexible and functional approach in order to better understanding of situations and processes in different geographical scales.

36 Artelaris–Mavrommatis 2020: 211.

Table 3: Territorial cohesion and its sub-dimensions

Territorial cohesion		
Territorial governance	Economic competitiveness	Social cohesion
Vertical and horizontal collaboration	Policentricity	Accessibility
Integrated approach	Smart growth	Social infrastructure
Functional areas	Connectivity	Balanced development

Source: compiled by the author

However, it is still not clear, whether the policy objective of territorial cohesion could contribute to build a cohesive economic model, together with economic and social cohesion, or should be used as a mitigating factor of the negative consequences of the application of the current, still dominantly neo-liberal growth and competitiveness-oriented model. In brief, the dominant narrative considers cohesion to be the result of growth and not vice versa. Although there is an obvious link between the concept of territorial cohesion and the place-based approach (detailed in the previous chapter), this connection does not bring us any closer to solving the problem. According to the seminal Barca Report, the place-based approach aims at "giving all places the opportunity to make use of their potential (efficiency) and all the people the opportunity to be socially included independently of where they live (social inclusion)".[37] In doing so, it highlights the importance of tailor-made and integrated solutions, vertical and horizontal cooperation and partnership in the form of territorial governance. At the same time, there is a danger that this policy paradigm will favour those places that are well equipped by proper institutional and administrative capacities and resources. Territorial assets are important prerequisites for development, but harnessing it often relies on key factors outside the controls of local stakeholders.

However, from the beginning of the EU history, one of the biggest efforts has been to combine economic competitiveness with social cohesion. Thus, the old rivalry, concerning the strategic goals of the EU, goes beyond the narrower meaning of territorial cohesion. Without discussing the history of the cohesion policy in details, it is important to note that in the wake of the Lisbon Strategy (LS) (2000–2010) and its second phase, the Europe 2020 (2010–2020) has become a crossroads at reinventing the cohesion policy as an effective instrument of enhancing the competitiveness of the EU. The process of "lisbonisation" proved to be a turning point in cohesion policy devoting more attention on regional competitiveness in the form of "growth and jobs" strategy goals.

Concerning the relevance of territorial dimension in the light of the "Lisbon decade" and the following Europe 2020 growth and competitiveness strategies, these two decades were heavily influenced by the so-called "Lisbon paradox". It means that although regions, cities, local authorities were involved in the implementation of the LS policies, they hardly experienced that it would contribute to regional or local development.[38] In order to overcome the "Lisbon paradox", the post-2013 and post-2020 cohesion policies made considerable efforts for merging the competitiveness and cohesion together

37 BARCA 2009: xii.

38 Committee of the Regions 2008; BÖHME et al. 2011.

in a common public policy with a territorial perspective or territorial development strategy. Having introduced in the Lisbon Treaty alongside with economic and social cohesion in 2009, territorial cohesion became a powerful conceptual element of linking cohesion policy and territorial development. Based on this, it established the ground for strengthening the territorial dimension in general, as well as introducing new, cross-sectoral and place-based development tools (Community-led Development Strategies, CLLD, Integrated Territorial Investment, ITO and Sustainable Urban Development, SUD) in particular. They have been successful in encouraging an integrated approach and a collaborative culture in certain types of areas, such as functional city regions. The main problem is that these development measures account for a small part of cohesion policy funding, so they can hardly increase "cross-fertilisation" in national and regional programming.[39]

In the current (2021–2027) programming period – in the absence of a separate EU competitiveness strategy – cohesion policy supports five policy objectives instead of 11 for the period 2014–2020. In line with the rule of both thematic and budgeting concentration, all Member States and regions must focus the resources on "a more competitive and intelligent Europe" and a "greener, low-carbon transition".[40] In practical terms, it means that the biggest part of the European Regional Development Fund (ERDF) and Cohesion Fund goes towards the twin objectives of "Smarter" and Greener Europe", indicating, that territorial cohesion is more closely linked to economic competitiveness, digitalisation and environmental sustainability. In addition, the place-based approach has also gained influence by promoting locally-led, integrated territorial development strategies based on cross-sectoral and multi-stakeholder approaches, according to the thematic priority of "Bringing Europe closer to its citizens".[41] Remarkably, that at least 8% of the European Regional Development Fund must be spent on integrated sustainable urban development strategies at the national level that seems to be a progressive experiment to reconcile the "city-growth" narrative with the goals of green transition within a territorial cohesion framework.

Taken together, while in the wake of the successive programming periods, cohesion policy preserved the – somewhat fragile – balance between economic, social and territorial cohesion. However, in the shadow of the two leading narratives, namely the "Growth and Jobs" and the "Smarter and Greener Europe", cohesion policy has become an instrument for delivering these ambitious goals. Moreover, the policy interventions are more sectoral than regional, which were only partially counterbalanced by the place-based approach and the new territorial instruments. Consequently, it is necessary to rethink and renew the concept of cohesion policy in general and the current state of the balance between economic, social and territorial cohesion in particular.

Although the 2021–2027 funding period has only just begun, with around 400 national and regional EU Structural Funds' programmes and a volume of nearly 380 billion euros, there is a lot of pressure to reform the EU's cohesion policy within the preparation process for the post-2027 cohesion policy.

[39] ESPON 2021: 8.

[40] European Commission 2022.

[41] ESPON 2021: 8.

Outlook to the future: bumpy road towards the post-2027 cohesion policy

As in the previous preparation processes, the discussion over the future of cohesion policy concerning the next programming period is heading from "outside" – from the sphere of territorial development – to "inside", towards the direction of cohesion policy, while the concept of territorial cohesion provides different perspectives and platforms for initiating debates and reaching compromises between the two policies. As regards the timetable for the reform, the initial phase has finished in March 2014, as the European Commission published the Ninth Cohesion Report.

The process started with the Territorial Agenda 2030. A future for all places, adopted in 2020, followed by the Eighth Cohesion Report in 2022, and more recently the Report of the High-Level Group on the future of Cohesion Policy in February 2024, not to mention the large number of discussion and position papers published by relevant organisations, expert groups and scholars. Drawing on a rich and forward-looking literature, it is worth taking stock and looking ahead as the preparatory process enters a new phase following the elections to the European Parliament. By the end of the first half of 2025, the European Commission has to submit its proposal on the multiannual financial framework and cohesion policy after 2027.

As its predecessors, the Territorial Agenda 2030 (TA 2030) is an intergovernmental "soft policy document" with no direct legal, financial or institutional implementation instruments. Indeed, rather than implementation, it talks about application and calls on a wide range of players to consider and apply its objectives and priorities.[42] *According to its main policy keywords, as* environment, inequality, justice, sustainability, territory, transition, the TA 2030 *advocated a broader understanding of the meaning of cohesion as a strategic reference point in the form of t*wo overarching objectives, a Just Europe and a Green Europe. A just Europe will offer people in all places increasing prospects for the future, and a green Europe will serve the preservation of ecological livelihoods and the transformation of cities and regions towards climate neutrality and resilience. Importantly, that going beyond the scope of its narrower sense, the TA 2030 aligns EU territorial development objectives with the United Nations' 2030 Agenda for Sustainable Development and the European Green Deal.

The Eighth Cohesion Report addressed the main challenges of EU's regions, referring to a range of disparities, divides and inequalities that have become embedded features for many EU territories.[43] The Report focused on the significance of the emerging regional development trajectories indicating that since 2001, less developed regions in Eastern Europe have been catching up with the rest of the EU. At the same time, however, many middle-income and less developed regions, especially in the southern and south-western EU, have suffered from economic stagnation or decline. As a result, convergence between Member States has accelerated, but internal regional disparities within the fast-growing Member States have increased. Similarly, the number of people

42 European Commission 2021.
43 European Commission 2022.

at risk of poverty and social exclusion fell by 17 million between 2012 and 2019, employment has been growing, but regional disparities remain larger than before 2008. While prioritising the role and importance of the territorial dimension of cohesion policy, the Report highlighted the new role, responsibilities and instruments (Coronavirus Response Investment Initiative, EU Solidarity Fund, Next Generation EU, REACT-EU), of cohesion policy that has helped EU regions face the challenge of the coronavirus pandemic and its consequences. Finally, the Report confirmed that cohesion policy continues to enhance a fair and sustainable development in all EU regions, while supporting the green and digital transition through place-based, multilevel and partnership-led policies, tailoring its support to most vulnerable territories as well as increase its adaptability to emerging and unexpected challenges. The principle of "do no harm to cohesion", introduced by the Report, put an emphasis on the necessity of keeping balance between cohesion policy and other EU policies.

As a next step, upon Commissioner Elisa Ferreira's initiative, a High-level Group (HLG) was established in 2023 with an aim of assessing the challenges identified in the Eighth Cohesion Report and reflecting on how to maximise the effectiveness of cohesion policy.

The HLG presented its final report on the Future of Cohesion Policy on 20 February 2020, which establishes a broad interpretation framework for the concept of cohesion in general and the territorial dimension in particular.[44] On the one hand, it stresses the need of keeping its focus on economic, social and territorial cohesion, but underscores the requirement to combine competitiveness and inclusivity. Moreover, contrasting to the prevailing "static" perception of balanced development, the report gives priority to the "dynamic" view of sustainable growth. According to this, the renewed cohesion policy should move from a support mechanism towards a central driver of growth, jobs, equality and opportunities, particularly in vulnerable areas. All of which means that cohesion policy should establish a systemic and transformative approach to development across the EU by broadening its focus beyond the least developed regions to include intermediate cities, towns, and rural areas. This entails a shift from compartmentalising regions into categories to a more holistic perspective that prepares all territories to contribute meaningfully to the EU's development. This systemic view should ensure that all the regions could contribute to and benefit from the EU's collective prosperity, regardless of their development level. To achieve these objectives, cohesion policy needs to build on the principle of partnership that will allow it to evolve into a more genuinely place-based, people-based and future-oriented policy. This evolution enhances inter-regional links and collaboration and better aligning with the broader EU objectives and the Sustainable Development Goals (SDGs). Cohesion policy can support this by simultaneously fostering internal development and external collaboration, enabling regions to engage in global value chains and knowledge networks.

Finally, cohesion policy must also remain a proactive rather than a reactive policy. For this reason, it should preserve its original mission of driving sustainable development and boosting competitiveness, while maintaining flexibility to address urgent challenges.

44 European Commission 2024a.

Most recently, following the "taking stock and looking ahead" track characterised by the Eighth Cohesion Report and the HLG, the European Commission has published the Ninth Cohesion Report on 27 March 2024.[45] The Report states that cohesion policy is an important driver of sustainable development and economic growth, as exploiting the full potential of every region strengthens the competitiveness and resilience of the EU as a whole. While underlined that convergence is taking place, significant challenges remained, with special regard to the disparities between large metropolitan areas and others, including "left behind" areas and those regions caught in a "development trap", as well as declining working-age population. This shows the importance of supporting regional cohesion and investing in jobs and opportunities for Europe's next generation. Concerning the implementation of cohesion policy, the Report urged to take into account the experience of other instruments such as the Recovery and Resilience Facility.

Finally, in response to our initial assumptions, we formulate three concluding remarks and policy recommendations.

Firstly, in accordance with the ongoing debates, there is a strong need for a new era of cohesion policy to address today's structural challenges, while keeping its focus on economic, social, and territorial cohesion and understanding the need to combine competitiveness and cohesion. However, the use of cohesion policy resources and capacities to tackle the external shocks of the Covid–19 pandemic and the Ukraine crisis in the form of new initiatives (Recovery and Resilience Facility, Just Transition Fund, REPowerEU Plan) have been launched in recent years underline the need of strengthening complementarities and synergies with other relevant EU policies. Though these EU instruments have the potential to support cohesion policy objectives, there is a risk of duplication, fragmentation in implementation, as well as "outcontracting" significant parts of the budget in order to support other policies. To avoid undermining the status of cohesion policy by using it more as a means rather than a goal, we recommend a scenario, in which cohesion policy is thematically better fenced with strong territorial dimension, but accompanied by new, complementary EU policy instruments. The development of policy complementarities requires stronger regional focus and reinforcement multi-level governance.

Secondly, in the shadow of shifting territorial development paradigms – from the spatially blind to place- and people-based approaches – it is still highly contested whether the territorial cohesion concept is about promoting economic competitiveness or reducing socio-spatial disparities or simply both. The current state of this fragile balance or dilemma seems to be contradictory, as the rhetoric and the key phrases followed by the recent Cohesion Reports and the HLG Report favour sustainable development and competitiveness to the concept of territorial cohesion. In contrast, the special problems of the "left behind" places and the "regional development trap" form constantly part of the post-2027 cohesion policy agenda. Interestingly, the so-called place-sensitive approach, that gained momentum in the preparation process of the TA 2030, did not become a dominant narrative in the final version. To counterweight the apparent shift towards the narratives of sustainable development and competitiveness, we recommend putting more emphasis on the somewhat unrecognised place-sensitive narrative in order to address the specific issues of each type or "club" of place.

[45] European Commission 2024b.

Thirdly, concerning the target areas of cohesion policy, currently the most likely option seems to be the "cohesion policy for all" approach. It will significantly increase both the number of beneficiaries and the scale and diversity of eligibility criteria by focusing on the nature of challenge (low development, low economic dynamism) as well as the type of region (left behind, development trap) in a holistic view. However, while this approach obviously provides the opportunity for reaching a compromise between the various cleavages of net contributors and beneficiaries, it is supposed to generate heavy debates on the size of the budget, the policy objectives and the nature of the eligibility criteria at the same time. This scenario may lead to the fragmentation of cohesion policy objectives, regulations and resources between the large number, however, rather ill-defined target areas, which tempt to favour more centralised than shared management systems instead of regional and local autonomy and territorial governance. To avoid the bottlenecks of an emerging loosely-coupled territorial landscape of cohesion policy, we recommend to continue supporting all regions and territories, but in a more targeted and efficient way. In doing so, we recommend to maintain the current categories of target areas – less developed, transition and more developed regions – complemented with the establishment of a commonly agreed indicator system including benchmarks, national average positions and minimum standards that should be used to identify "left behind" places, regions in development trap and regions at risk of poverty and social exclusion. The realisation of this process would require intense coordination and reconciliation between cohesion policy and territorial development documents at national level, as well as fine-tuned capacity-building in terms of institutions, knowledge and expertise.

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The Essence of Unity?
The Historical Evolution and Future Perspectives of Cohesion Policy in the EU

The Cohesion Policy of the European Union has a long history in European integration. New enlargement waves, internal and external challenges, economic downturns and other crises have consistently required a redefinition of the goals and instruments of Cohesion Policy. It is primarily recognised as one of the most prominent distributive policies of the EU and one of the largest development policies of the world. The aim of this article is to provide a basis for understanding this complex policy area by offering a historical perspective and outlining the future context and challenges. After establishing a suitable theoretical framework, the evolution of the policy is explained by examining the policy goals and objectives in different integration eras, as well as providing an overview of Cohesion Policy's role in the EU's budget. Following a summary of the main management methods, the article assesses the future perspectives of the policy.

Keywords: Cohesion Policy, historical evolution, policy goals, policy implementation, post-2027 perspectives

Introduction

By definition in the Cambridge Dictionary, cohesion is the essence of unity: "a situation when the members of a group or society are united".[3] When translated into EU jargon, cohesion in the European Union refers to a state where the social and economic disparities among constituent regions are minimised.[4] According to Article 174 of the Lisbon Treaty, cohesion emerges as a necessary condition for development in the European Union. "In order to promote its overall harmonious development, the Union shall develop

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[3] Definition of cohesion in Cambridge Dictionary: https://dictionary.cambridge.org/dictionary/english/cohesion

[4] Bache 2015: 244.

and pursue actions leading to the strengthening of its economic, social, and territorial cohesion. In particular, the Union shall aim to reduce disparities between the levels of development of various regions and the backwardness of the least favoured regions."[5]

As one author rightly emphasises: "A problem with the definition of Cohesion Policy is that it is often used synonymously with regional and structural policies, although each has a different meaning."[6] As it will be elaborated in more details in this article, while the birth of regional policy can be dated back to the creation of European Regional Development Fund in the mid-seventies, the birth of Cohesion Policy occurred in the late eighties. This was the time when the Single European Act established the legal grounds for the policy, and Jacques Delors, the Commission President at that time, launched the policy regime. For Delors, cohesion was truly the essence of unity, a key pillar for advancing integration in Europe. In a 2012 interview, Delors explained his view on Cohesion Policy in his time: "The level of divergence of economic development in certain regions was always the reality we faced and Cohesion Policy was designed to enable the underdeveloped regions to withstand competition and at the same time contribute something to Europe. All the proposals we developed followed my overriding triptych principles of: 'Competition, cooperation and solidarity'. You cannot remove one of those elements and successfully build Europe."[7]

Since then, Cohesion Policy has become the largest development policy in the world and one of the most visible policy of the European Union.[8] As this article argues, this is a policy area that has been subject to constant changes in terms of both goals and specific objectives and policy instruments, due to internal challenges of European integration and external circumstances, sometimes crises. The specific nature of the European Union's political system, the fact that its borders are constantly re-defined due to new enlargement waves and, since Brexit, Member States' exits too, also puts the challenges of Cohesion Policy in a constantly changing context. One can agree with the argument that: "The EU's Cohesion Policy has from the beginning been a moving target, with multiple funds distributing ever-larger amounts of EU funding according to an ever-more elaborate set of policy guidance."[9] How can we interpret this "moving target"? What kind of EU policy is this? How is Cohesion Policy linked to other policies of the European Union? Can we regard Cohesion Policy, as it was regarded in the 1980s and the 1990s, a "side payment to other, bigger EU policies" like the Single Market or the Economic and Monetary Union, a financial transfer from the rich to the poor?[10] Or rather as it is currently viewed, a policy that aims to reach specific sectoral policy objectives of the given eras of integration, like the green and digitised Europe.

The aim of this article is to provide a basis for understanding this complex EU policy by putting the milestones of the Cohesion Policy into historical perspective and outlining the future context and challenges for this policy. After providing a suitable theoretical and conceptual interpretation, the evolution of the policy is explained by examining the

5 Article 174, Treaty on the Functioning of the European Union.
6 BACHE 2015: 244.
7 DELORS 2012.
8 BACHE 2015: 244.
9 BACHE 2015: 245.
10 BORRÁS–JOHANSEN 2001: 39.

policy goals and objectives in different integration eras as well as providing an overview of Cohesion Policy's role in the EU's budget. After summarising the main management methods of the policy, the article assesses the perspectives of Cohesion Policy in the post-2027 era.

Theoretical framework

The European Union is a unique, sui generis political system in every respect.[11] The EU's institutional structure differs significantly in both its internal relations and its functions from the decision-making arrangements and political systems known at national level. The policy-making process, the range of actors and the nature of policy-making are different from those at national level. In the European Union, there is governance without government:[12] the treaties lay down clear rules and procedures for achieving policy objectives, creating and implementing new policies. However, implementation is not a responsibility of EU institutional actors alone, but of actors in a multi-level governance system,[13] including Member States and sub-national at both vertical and horizontal levels. However, the way in which European governance works varies. The policy area and the related decision-making mode always determine the form of governance.[14] Under the division of competences established by the Lisbon Treaty, the EU institutions and the Member States have different roles in the decision-making process for each policy. In the case of Cohesion Policy, we are talking about shared competences between the Union and its institutions and the Member States in this policy area.

Cohesion Policy can easily be interpreted in terms of multi-level governance theories, as there is no other EU policy where such a wide range of stakeholders are involved in the policy-making cycle. From the EU's institutional side, the Commission, the European Parliament, the Council as well as the Committee of the Regions are all involved in that. In addition, national governments, regional and local authorities are important stakeholders too, not mentioning the sectoral actors.[15]

To interpret the policy system of the European Union, the authors have developed various typologies. Hix and Høyland classify EU policies into a fivefold typology. They distinguish between (1) regulatory, (2) expenditure, (3) macroeconomic, (4) interior and (5) foreign policies.[16] Based on that typology, Cohesion Policy belongs to the expenditure policies since it transfers financial resources to less developed regions along specific objectives. However, it is more than just an expenditure policy. It is strongly linked to macroeconomic policies like the EMU and with its sectoral goals to interior policies, like employment.

11 Arató–Koller 2023: 15–30.
12 Arató–Koller 2019: 46.
13 Hooghe–Marks 2001.
14 Koller–Varga 2022.
15 Bache 2015: 258–259.
16 Hix–Høyland 2011.

Wallace and Reh identify another five categories of policy modes.[17] They differentiate (1) the classic community method, (2) the regulatory mode, (3) the distributive mode, (4) policy coordination, and (5) intensive transgovernmentalism.[18] Where does Cohesion Policy fit in that typology? As Bache argues, it is a hybrid policy, which is closest to the distributive policy mode.[19] There is a strong element of Community method, when then European Commission designs the policy, nevertheless, in that process, national governments and bargaining are essential factors. Regulatory mode is also activated when the regulatory framework is established. Nevertheless, Wallace and Reh, like Hix and Høyland also underline that Cohesion Policy is mostly linked to the distributive policy mode of the EU. Finally, the strengthening of policy coordination, involvement of soft-policy incentives and the so-called intensive transgovernmentalism are also observable. Ongoing and constant cooperation creates a much deeper cooperation of the Member States, which is better understood as transgovernmentalism. In this decision-making method, the European Council plays a central role in setting policy goals and orientations. Intensive transgovernmentalism is further strengthened when crises and unforeseen external circumstances occur, as the need for united action becomes even more pressing.

The historical evolution of Cohesion Policy

Regional policy received relatively limited attention from the founder states. Although the Treaty of Rome presented the founders' goal to achieve "harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions",[20] how to realise this ambition stayed long uncertain. However, regional equality grew notably with the first accession (Denmark, Ireland, United Kingdom). To help poorer regions catch up, a European Regional Development Fund (ERDF) was created.[21] This was not yet a supranational policy; projects that national governments chose were quasi-automatically charged against pre-set national quotas. The factors spurring a radical turn did only converge in the late 1980s.

The Single European Act laid down the legal grounds for Cohesion Policy and the Single Market programme. New Member States of the second enlargement (Greece, Spain, Portugal) came with lower economic output and living standard levels. They were feared to be strongly pressurised by negative externalities[22] stemming from their entry to the Single Market. In 1988, the Delors Commission introduced a landmark reform in Cohesion Policy;[23] this founded a modern policy regime, underpinned by distinctive principles still guiding policy delivery today. A new multiannual budget, supplemented by

17 Wallace–Reh 2015: 98.
18 Wallace–Reh 2015: 98.
19 Bache 2015: 258.
20 Preamble of the Treaty of Rome.
21 Bachtler–Mendez 2020.
22 Huguenot-Noël et al. 2017: 9.
23 European Commission 1987.

multiple increases to the policy budget, created an adequate, predictable financial framework. Member States obtained national allocations, and in line with the *programming* principle, these were converted into five (later seven) years' operational programmes. The principle of *concentration* helped to focus on a limited number of development objectives in regions most in need. The principle of *additionality* obliged maintaining the preceding level of domestic regional development investments as well as matching the community funding. The principle of *partnership* spurred the involvement of regional and local partners in goal setting and execution.[24] In addition, the various funding streams[25] were unified under the Structural Funds framework and linked to specific objectives. The Maastricht Treaty fortified economic and social cohesion as an explicit Treaty objective. The economic and monetary union goal entailed the tailoring of policy instruments; the scope of infrastructure support was widened, and Cohesion Fund was launched to assist the poorest Member States in promoting infrastructure development while in parallel consolidating their public finances.

How did the next, ever-largest enlargement change circumstances? The integration of Central and Eastern European countries brought interregional disparities to unprecedented levels. To keep spending under control, greater concentration was applied to policy objectives and the least-favoured regions. A new financial *concentratio*n (automatic decommitment) rule was installed, forcing Member States to timely draw down annual programme allocations. New Member States started their programmes in January 2004, their good progress and increased bargaining position ensured that their specific needs (e.g. higher co-financing rates) were embedded in the 2007–2013 regulations.[26]

The Lisbon Treaty complemented the cohesion objective with the territorial dimension and defined specific territorial challenges. Preparations for the 2014–2020 period started in the aftermath of the financial crisis, the ramifications of which, combined with the adoption of the EU 2020 strategy, concerns over lacking results, excessive bureaucracy and growing misuse of the funds[27] led to a major policy reform in 2013. To advance efficacy, the thematic concentration rule directed policy funds towards 11 strategic priorities. The strategic framework (introducing national investment strategies in the form of a Partnership Agreement), intervention logic and ex-ante conditionalities were central to programme quality and delivery.[28] Linking the Cohesion Policy and EU economic governance frameworks aimed at creating a better investment environment. The new performance framework helped to monitor targets and connecting the release of EU funds to progress achieved. Wider use of financial instruments promised higher quality projects; integrated territorial tools permitted a holistic approach to resolving complex, place-based problems.[29]

24 Brunazzo 2016.
25 The Single European Act originally defined the ERDF, EAGGF, and ESF as key financing instruments to promote cohesion.
26 Nyikos 2017.
27 Nyikos–Kondor 2019: 114.
28 Kah et al. 2015.
29 Avdikos–Chardas 2016.

The role of the policy in promoting the Green Deal (2019) priorities (twin transition) deepened with the pandemic and the war in Ukraine. Achievement-orientation is now underpinned by concentration on five key policy objectives, greater flexibility to use instruments across regions or funding streams, and a redesigned performance framework. Obligations to adequately deal with irregularities, conflict of interest and fraud have been substantially tightened implying a reinforced strategic approach and extensive institutional capacity building in Member States.

The successive crises (financial and migration crises, Covid–19 pandemic, war in Ukraine) have left their marks on the policy. *First,* in crises, governments had to take unplanned actions fast. Economic downturns triggered large-scale public interventions to save firms and jobs. The recent health disaster prompted massive investments in life-saving equipment and supplies. The migration crisis and the war in Ukraine caused an immense influx of third country nationals; border control, social, health and educations services had to be scaled up. *Second,* fiscal consolidation measures in recession years led to major cuts in spending programmes. Cohesion Policy funds have proven crucial to continued public investments. *Third,* crises have jeopardised project execution. Dried lending channels, shrinking consumption forced numerous beneficiaries to give up their plans. Social distancing rules and spiralling inflation have also created immense implementation difficulties. The adaptability of the policy cannot be overstated. European institutions and Member States alike have found innovative ways to support hard-hit economies and communities so that they can navigate and recover from the crises. At the same time, the routinised diversion of programme focus has weakened attention to core programme objectives of regional convergence and sustainable growth.

Table 1: Evolution of modern Cohesion Policy instruments in the context of internal and external challenges

Period	**Key changes**	**Context**
1988–1993	– new allocation system (NUTS 2) and key implementing principles introduced – first regulation on integrated governance framework of Structural Funds – considerable leeway for Member States – prioritisation	*Implementation of the Single European Act* *Assimilation of Greece, Portugal and Spain into the Community* Launch of the Single Market programme Delors Package I Maastricht Treaty
1994–1999	– improved territorial targeting – broadening of thematic priorities – considerable leeway for Member States in prioritisation	Delors Package II Joining of Austria, Finland, Sweden European Employment Strategy
2000–2006	– ring-fenced allocations for old and new MSs – greater concentration (reduced objectives, least-favoured regions) – rules of capping and financial concentration (N+2) – new entities: managing authority, paying authority, winding-up body, intermediate body (optional) – extension of expiry date	*Publication of the Agenda 2000 budget proposal* Accession of EU10 Lisbon Agenda adopted

Period	Key changes	Context
2007–2013	– mono-funded programmes installed, integration of Cohesion Fund, specific needs of EU10 addressed – new entities introduced: audit authority, coordination body (optional)	Financial crisis, adoption of EU 2020 strategy, Accession of Bulgaria, Romania and Croatia
2014–2020	– unified regulatory framework (CPR) – top-down (thematic) objectives, Partnership Agreement, intervention logic, performance framework, upgraded conditionality system, reinforced evaluation, integrated territorial instruments – simplification (simplified cost options), designation – upgraded visibility obligations – shift to annual financial implementation regime – increased flexibility to address the pandemic *– extension of programme closure deadline*	Post financial crisis challenges, Migration crisis, EU Green Deal adopted, Covid–19 pandemic, Country Report 2019 Annex D issued, Next Generation EU adopted, New Conditionality Regulation passed
2021–2027	– reinforced conditionalities, mid-term review and flexibility reserve – simplification: designation, major projects, annual reporting discontinued – projects of strategic importance, administrative capacity building – delays in programme start – ongoing regulatory revisions to address crises and promote strategic alignment	War in Ukraine, reoccurring migration challenges, launch of Resilience and Recovery Facility, ongoing launch of new EU initiatives

Source: compiled by the authors based on Manzella–Mendez 2009; Brunazzo 2016; Petzold 2022.

Policy goals and objectives

Cohesion Policy objectives largely overlapped with regional eligibility conditions for a long time. As Table 2 illustrates, the 1988 reforms introduced five priority objectives, partly reflecting strong spatial focus, partly general socio-economic problems (e.g. long-term unemployment).[30] The 1994–1999 regulations captured challenges of rural territories, industrial restructuring and low population density. For the 2000–2006 period, a transition mechanism was created to compensate regions which were affected adversely by the statistical effects of the EU10 accession. In the period 2007–2013, this was cemented into a distinct transition region category and at once eligibility of funding was extended to all regions in the EU. Alignment with EU 2020 shifted the balance in favour of cross-cutting thematic objectives. Spatial targeting has continued to weaken,[31] with loosened relationship between policy goals, objectives and geographical scope of eligibility loosened, and the national dimension has become increasingly dominant.

30 Brunazzo 2016.
31 Begg 2018: 3.

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Table 2: Evolution of Cohesion Policy goals and objectives

Period	Objectives
1988–1993	Objective 1: regions lagging behind Objective 2: regions affected by industrial decline Objective 3: long-term unemployment Objective 4: labour market integration of young people Objective 5: (a) adjustment of agricultural structures and (b) rural areas
1994–1999	Objective 1: regions lagging behind Objective 2: regions affected by industrial decline Objective 3: long-term unemployment, integration of young people, persons exposed and gender equality in the labour market Objective 4: adaptation to industrial and production system changes Objective 5: rural development by agricultural and fisheries sector rural areas Objective 6: sparsely populated regions
2000–2006	Objective 1: regions whose development is lagging behind Objective 2: economic and social conversion (areas with structural difficulties) Objective 3: Training systems and employment policies
2007–2013	Convergence (least-developed regions) Regional competitiveness and employment (other regions) European territorial cooperation
2014–2020	Goals: Investment for growth and jobs European territorial cooperation Thematic objectives: 1. Research and innovation 2. Information and communication technologies 3. SME competitiveness 4. Low-carbon economy 5. Climate change 6. Environment protection and resource efficiency 7. Sustainable transport 8. Employment and labour mobility 9. Social inclusion 10. Education and training 11. Public administration
2021–2027	Goals: Investment for jobs and growth European territorial cooperation (Interreg) Policy objectives: 1. Green Europe 2. Social Europe 3. More connected Europe 4. Social Europe 5. Europe closer to citizens

Source: compiled by the authors based on PETZOLD *2022.*

Close relationship between Cohesion Policy and other EU policies

Cohesion Policy is placed in an interrelated set of EU level – and domestic – policies.[32] To address territorial imbalances, Member States have needed complex and integrated frameworks on multiple fronts. The policy remit has been gradually expanded to accommodate needs for investing in transport, energy, environmental and private sector as well as human capital development. Thematic objectives directed investments towards policy areas linked to smart, sustainable, and intelligent growth. The Green Deal has oriented the policy to promote the green and digital transition and helped adaptation to climate change. The capacity of the policy to fight marginalisation and poverty has also been strengthened, while crises have pushed the policy closer to various emergency management domains.

Horizontal principles serve as vehicles to better the functioning of the society and preserve the environment. They apply across all the programmes and projects. Over time, their scope has markedly expanded. The present principles include the respect of fundamental rights, promoting gender equality, anti-discrimination, optimised opportunities for the disabled and sustainable development, combined with the horizontal enabling conditions of compliance with the Charter of Fundamental Rights and the United Nations Convention on the rights of persons with disabilities (UNCRPD). How do the principles affect the use of the policy funds? They translate into wide-ranging obligations for Member States and project promoters alike. Being inseparable from protecting the Union budget, the *Conditionality Regulation* links the respect of *European values* (rule of law, independence of the judiciary etc.) to the release of funds for Member States.

Public Procurement constitutes a critical component of the Single Market. When public authorities award contracts to companies for the provision of goods, services or works, they need to fully conform with elaborate rules and processes prescribed in the EU and domestic legislation. These purchases often form part of projects that are financed by the operational programmes.[33] Similarly, the enforcement of *State Aid*[34] rules and Cohesion Policy execution have been long intertwined. To prevent distortions to the functioning of the market, the granting of state subsidies to economic operators is strictly limited and tightly regulated. Member States have to ensure that their spending fully accords with the public procurement and State Aid rules, otherwise sanctions apply.

Since its birth, Cohesion Policy has contributed to overlapping sectoral policy goals, greater competitiveness of European firms and higher value for money for public investments. However, the ever-expanding intersections with other policies have come with a price. Cohesion Policy has turned into an overloaded policy, its focus dwindling and its boundaries blurred.

32 Bachtler-Polverari: 2017.
33 For further details, see Nyikos 2018b.
34 For further information, see Nyikos 2018a.

The MFF and Cohesion Policy

To date, Cohesion Policy has become the most important investment policy in the European Union. Following modest beginnings from 1988 onwards, the multiannual budget cycle and repeatedly increased appropriations have created a solid foundation for the policy. Pending integration of the EU10 motivated a new rule capping available support as of 4% of the national GDP. The 2000–2006 policy budget also ring-fenced allocations for the old Member States, a fraction of which was put aside for the new entrants. Only in the 2007–2013 period were the massive investment needs of the latter group properly addressed.

Between 1988 and 2013, Cohesion Policy allocation increased steadily. Due to a combination of factors, including new challenges and net payers' resistance countries, this trend was disrupted in 2014. Nonetheless, the policy has still got the largest share in the EU budget.

Table 3: The evolution of Cohesion Policy allocation in the EU long-term budget

	1989–1993	**1994–1999**	**2000–2006**	**2007–2013**	**2014–2020**	**2021–2027**
CP allocation in million ECU/Euro	64	168	213 (EU15) 22 (EU10)	347	351.8	330*
Share in MFF (in %) **	22	33	33	36	34	31

**The Heading "2. Cohesion, resilience and values" in the 2021–2027 contains two ring-fenced subheadings. The ceiling on commitment appropriations for sub-heading 2a for economic, social and territorial cohesion is set at MEURO 330. (The subheading 2b resilience and values includes funding of a variety of programmes directly managed by the European Commission with an allocation of MEURO 47.5 million.)*
*Source: European Commission, ** Kengyel 2019 (1989–1993, 1994–1999, 2000–2006, 2007–2013, 2014–2020), European Parliament, 2021 (2021–2027)*

The allocation of the Member States is composed of various funds with distinct implementing provisions. Therefore, their combination is vital for realising specific programme priorities. As Table 4 illustrates, the extension of the policy scope has diversified the landscape of financing instruments.[35] Core policy resources presently include the ERDF and ESF+, their allocation based on regional wealth level, and Cohesion Fund, which is restricted to Member States with a GNI per capita below 90% of the EU average. Recent additions to the funding streams testify quick adjustment to new situations. Regions most vulnerable to the Green Deal transition receive specific assistance via the Just Transition Fund (JTF). REACT EU has aided pandemic-related crisis and repair management measures. New instruments outside the policy confines have largely extended investment opportunities, too. At the same time, the Resilience and Recovery Facility

35 The original Structural Funds, ERDF, EAGGF, ESF were complemented, brought closer with other funding streams or withdrawn from the Cohesion Policy governance framework.

has created competition with Cohesion Policy for the limited management capacity as this has failed to adjust to the marked rise in funding levels. With subordinating all budgetary resources to Union goals, "compatibility" of the various funds became critical. The 2021–2027 regulations have enlarged flexibility for combining funding instruments within and beyond the Cohesion Policy boundaries.

Table 4: Core and complementary financing instruments

	1989–1993	**1994–1999**	**2000–2006**	**2007–2013**	**2014–2020**	**2021–2027**
ERDF						
ESF/ESF+						
Cohesion Fund						
EAGGF – Guidance/ EARDF						
FIFG-Guidance/EMFG						
REACT EU						
JTF						
ASM, ISF, BMVI						

Notes: In the period 2007–2013, the European Agricultural Fund for Rural Development, which replaced EAGGF – Guidance Section, and the Financial Instrument for Fisheries Guidance were integrated into the CAP framework.
BMVI – Asylum, Migration and Integration Fund; Internal Security Funds; Instrument for Financial Support for Border Management and Visa Policy
Source: compiled by the authors.

The fate of the policy has long intertwined with the Multiannual Financial Framework. By the mid-1990s, estimated costs of the joining of Central and Eastern European countries hardened net contributors' position. The Agenda 2000 budget proposal triggered lengthy debates, which were only resolved at the Berlin European Council meeting in 1999.[36] Since 2007, growing prioritisation given to other policy domains have aggravated the tension. Despite a fundamentally changing context, MFF negotiations have shown great similarities. The so-called net operating budget balance, which shows the difference between a Member State's payment into budget and resources it receives from the budget, has been placed centre stage. Since the 2000s, two major factions have evolved. Net payer countries call for greater efficiency and reallocation for emerging priorities rather than expanding the budget. Net beneficiaries strive to, at minimum, maintain their financial position.[37] The opposing views and corresponding rhetoric have made progressive discussions on the policy increasingly difficult.

36 Bachtler–Mendez 2020.
37 Kengyel 2019: 8.

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Policy implementation in the shared management regime

Cohesion Policy is implemented in the “shared” management mode of the EU budget. Cipriani identifies the following three key components underpinning this regime.

1. *Competencies are divided between the European Commission and the Member States,* they fulfil different roles, and nonetheless they have complementary functions. From the early 2000s to 2014, the balance of power tilted towards the Member States, however, the reforms approved in 2013 have increased the Commission’s leeway to influence programme content and delivery.
   Member States are charged with operating *management and control systems* that guarantee the proper use of EU money. EU regulations prescribe the institutions, which Member States need to put in place and how they need to organise their relationship, functions, procedural and performance standards. The 1988 reforms set off a unique construction in terms of spreading decision-making powers vertically and horizontally. Powers from the central government level shifted both to the subnational level and to the European Commission.[38] The partnership principle has been an integral part of the policy accordingly, its modalities have evolved gradually and applied in a context-specific manner,[39] and triumphed in codified standards for partners’ engagement in 2014. The principle holds special importance for the multilevel governance model.
   The Commission bears the final responsibility for executing the budget. Its strategic decisions include the release of EU funds. The financial implementation system is based on multilevel controls to ensure that the expenses, which will be paid from EU budget are legal and regular. In case compliance of the expenditure is compromised, the Commission may apply different sanctions, starting with temporary blocking to the final withdrawal of programme funds.
2. *Member States manage and control the EU budgetary funds on a day-to-day basis*. Their authorities organise project selection, conclude and manage grant contracts with beneficiaries, thoroughly check progress and regularity before project expenses are reimbursed. They also monitor and report on programme performance, regularly evaluate and communicate impact of their programmes.
3. *The Commission takes an active role in shaping the conditions of the specific policy instruments, which the EU funds will support*. The importance of drafting the legislative proposal is hard to exaggerate. Despite unceasing simplification efforts, regulations still dictate very elaborate obligations and implementing standards for Member States. Expectations are built into the organisational culture of their delivery institutions and remained resistant to change.

38 Marks 1993.
39 Nyikos–Kondor 2020.

Preparations for the post-2027 era

Preparations for the next budgetary period always bring policy legitimacy issues to the forefront. With its sizeable budget, the policy has become a natural target of reallocation attempts. This has been eased by heavy criticism of its inefficiencies, Cohesion Policy receives far disproportionate blame for economic slowdowns and social malaise in the EU. Choices today are not limited to internal (incremental) reforms; the Recovery and Resilience Facility (RRF) delivery mode is clearly seen as an alternative model. The European Union has recently faced several crises. The question is how effectively and promptly can Cohesion Policy respond to negative effects of such crises? The Eighth Cohesion Report and Cohesion Forum open the way for the policy reflection process. The Report acknowledges that cohesion in the European Union has improved, but gaps remain.[40] The Council communicated its guiding principles on the future of Cohesion Policy in November 2023;[41] the group of high-level specialists invited by the Commission has recently published its proposals.[42]

Cohesion Policy has become the largest convergence programme globally. The policy has funded investments worth of €1,040 billion in the period 1989–2023, supplemented by a budget appropriation of €392 for the period 2021–2027.[43] It has proven fundamental to the EU integration process, and it has demonstrated its capacity to accelerate economic convergence and to drive social progress. How can the policy preserve its relevance in the long run?

The EU is presently facing unprecedented challenges, growing socio-economic divisions, an aging and shrinking workforce, multidimensional costs of green transition and declining competitiveness of the European economy. In view of the gravity of these problems, lessons from the crises, the implementation of programmes and coordination with other funds need to be properly drawn. Revisiting core pillars of the policy cannot be spared either. The right balance between handling long-term structural challenges and fast mobilisation of resources to fight emergency and crises needs to be found. The policy cannot achieve a powerful impact without reasserting its focus and receiving adequate resources in the next MMF. Its budget should be preserved at minimum, but rather raised. The territorial cohesion goal should occupy centre stage. While ongoing discourses suggest continued general eligibility for all regions, stronger emphasis is proposed for the place-based approach, helping less developed regions as well as capturing specific growth constraints (e.g. development gaps, susceptibility to migration, permanent natural or demographic handicaps). Interaction with other policies and instruments will remain essential; policy coordination needs to be strengthened accordingly.[44] Instrumentality and credibility of the policy largely depend on efficient access to support. While present conditionalities are perceived to fulfil a useful role in bettering delivery criteria, the need to discard undue legal obligations is widely recognised. Institutional capacity building at all levels needs to receive greater appreciation.

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40 European Commission 2022.

41 Council of the European Union 2023.

42 European Commission Directorate-General for Regional and Urban Policy 2024.

43 European Commission 2024: 25.

44 Council of the European Union 2023.

Hungary will take over the rotating Presidency of the Council at a critical point in time.[45] The publication of the 9th Cohesion Report in 2024 will give added impetus to the preparatory process. On the one hand, the Hungarian Presidency can beneficially influence the maturation of the post-2027 Cohesion Policy concept. On the other hand, Hungary's Presidency priorities and experience of handling structural challenges (e.g. demography, least developed settlements) could bring added value to devising specific methods and effective instruments for hard-to-change structural phenomena. To preserve the place-based, territorial approach, and ensure the Cohesion Policy's position among other policy instruments of the EU are legitimate goals. At the same time, complexity of the funding landscape and, in particular, competition among funding instruments need to be dealt with. Progress in bettering results, unlocking the policy's potential to overcome long-due problems of increasingly pressing nature (e.g. aging societies) as well as in radically cutting back administrative burden at all levels and thus simplifying access to the funds cannot wait any longer.

Conclusions

Cohesion Policy has become the largest convergence programme globally to date and a distributive policy of the EU. A series of regulatory revisions and major reforms have helped the policy to grow into a well-resourced, far-reaching, and modern policy. The policy framework that the reforms of the Delors Commission brought into existence has proven solid and flexible at the same time. The EU multiannual budget has allowed the financing of long-term development goals through strategic plans, operational programmes and projects devised and implemented by the Member States. Management responsibilities have been shared. The Commission maintains strategic decisions, including the transfer of programme funds, while Member State authorities are mandated with the day-to-day operation of the programmes. Cohesion Policy presents a unique multi-level governance model, as the dispersion of decision-making powers has led to the shifting of powers from central governments to the European Commission and subnational entities. The partnership principle has given an additional segment to this cascade, a gradually growing circle of social, economic, territorial, civil sector and academic partners have been invited to participate in programme design and execution.

This basis has enabled the policy to become an essential pillar of the EU integration process and unfold its potential to mitigate regional disparities, create sustainable economic growth and improved livelihoods for citizens. Over the past decades, the policy has gained increasing importance in tackling global challenges and catastrophic risks. Its regulatory framework has been regularly revised to react to both implementation findings and a swiftly transforming environment. This has spurred frequent changes to the policy objectives, scope, instruments, planning and management systems to promote overlapping policy goals as well as to enhance efficacy and regulatory conformity. While this adaptable and flexible framework has firmly entrenched the policy within a complex EU and domestic policy environment and bettered its potential to address unplanned

[45] Navracsics 2023.

developments, concerns over the loss of its focus have been widely shared. The challenge of the future is whether Cohesion Policy can maintain its territorial focus, or will this become more difficult due to growing importance of sectoral objectives?

The future of Cohesion Policy has long been inseparable from decision-making on the EU budget. Prevalent focus on the net budgetary operating balance has diverted attention from discourses on how the policy's potential could be fully unlocked. The current extraordinary circumstances doubtless call for a different approach. The reflection process on the future of the policy is well underway, offering ample ammunition for defining optimised solutions for key policy ingredients like focus, budget size, eligibility and implementing criteria. The Hungarian Presidency will fulfil a critical role in the shaping of the preparations, doubtless enriched by the 9th Cohesion Report and the outcomes of the Cohesion Forum. Presidency priorities and Hungary's experience in tackling common challenges could provide formative inputs to the future construction of Cohesion Policy.

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The Cross-Border Cooperation Tool-Box of EU Cohesion Policy

The paper presents the 35-year evolution of the cooperation tool-box of the Cohesion Policy. The authors give an overview on the history of the financial (Interreg) and the governance (Euroregions and EGTCs) tools, and introduce the debate on a mechanism designed to facilitate the elimination of legal and administrative obstacles. The last debate indicates the climate change within European Territorial Cooperation policy generated by the series of crises since 2015.

The paper uses sources of information based on desk research (studies, evaluations, official documents and adopted regulations) and experiences gained from the management, implementation and evaluation of cross-border programmes and projects and adapts this knowledge in an interdisciplinary way, with a special focus on legal and political scientific aspects. As a conclusion, the paper raises concerns about the future of European Territorial Cooperation objective of the Cohesion Policy.

Keywords: cross-border cooperation, Cohesion Policy, European territorial cooperation, EGTC, Euroregion, European Cross-Border Mechanism

Introduction

The overarching objective of European Cohesion Policy is to promote the harmonious development of the European Union and its regions, and as a new objective – since the Lisbon Treaty – Cohesion Policy should also promote more balanced, more sustainable "territorial development". Territorial cohesion has been included for the first time in the Lisbon Treaty,[3] which opens a broader concept than the traditional Regional Policy.[4]

The significance of European cross-border cooperation evolving along the external and internal borders of the European Union has been increasing since the last enlargements (in 2004, 2007 and 2013). During the last decades, forms of cross-border cooperation have gained greater and greater importance within the Cohesion Policy and Neighbourhood Policy of the EU. This horizontal dimension of Cohesion Policy has been

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3 Lisbon Treaty 2007, Article 174.

4 Nyikos 2014: 39–53.

getting more and more emphasis, new methods of governance have been developing to ensure a coherent framework for interregional, transnational, and cross-border cooperation.

However, in the last few years, the most recent crises resulted in re-bordering tendencies. Instead of the elimination of borders and border obstacles, securitisation discourse has appeared as a powerful narrative,[5] resulting in reclosing of borders, construction of new borders and application of more stringent border management procedures, thus making it more difficult to cross them.

In 2015, the Luxembourg Presidency triggered the development of an EU mechanism, which may facilitate the elimination of legal and administrative obstacles experienced by the stakeholders of cross-border structures and the citizens during their cross-border mobility. The tool named that time as a European Cross-Border Convention (ECBC) and, later, re-named as a Mechanism (ECBM) was included in the Cohesion Policy package for the years of 2021–2027, but, finally, it failed due to the opposition of several EU Member States.

Nevertheless, the European Parliament brought up the topic again, and in December 2023, the Commission adopted an amended proposal for a "Regulation on Facilitating Cross-Border Solutions" (FCBS) in order to help Member States resolve obstacles that are impacting the daily lives of nearly 150 million European citizens living in Europe's cross-border regions. Negotiations on the proposal will mostly be performed between July and December 2024, when Hungary will hold the Presidency of the Council of the European Union. In addition, 2024 will mark twenty years since Hungary became a full member of the European Union.

The year 2024 is fundamental for implementing the 2021–2027 Cohesion Policy programmes, but also for preparing the future programmes. The European Commission's 8th Cohesion Report in February 2022 set out the main developments and territorial disparities that European regions have experienced over the last decade, which also forecast the upcoming debate on the future of cohesion after 2027. The Commission published the 9th Cohesion Report on 27 March, presenting an assessment of the state of cohesion in the Union and highlighting the significant progress made in narrowing economic, social and territorial disparities across the EU. The report underscores the success of Cohesion Policy in bridging the gaps between Member States and regions, thereby bolstering the EU Single Market.[6]

The article explores the evolution of the tool-kit created by the European Union promoting seamless cooperation between people, public authorities and businesses in the European border regions, as well as unlock their potential to stimulate more growth and prosperity to further strengthen the Single Market. The European Commission estimates that removing 20% of the current legal and administrative obstacles would boost GDP by 2% in cross-border regions and create over one million new jobs.[7]

The paper uses sources of information based on desk research (studies, evaluations, official documents and adopted regulations) and experiences gained from the

5 NEWMAN 2019.
6 European Commission 2024b.
7 European Commission 2017b: 8–13.

management and implementation of cross-border programmes and projects. In the international literature, many researchers conduct border research from the aspects of political sociology, political economy and political geography; however, despite the fact that border research and regional science have by now become independent disciplines, only a few of them deal with the legal and administrative aspects of cooperation.

In the background of the study, there lie interdisciplinary investigations applying partly international public law and European law, and partly governance and political science methods. In the article, authors used primary and secondary sources, besides they intend to apply the method of law comparison and adapt the internationally novel research method "law in action" and to investigate certain legal institutions with a practical approach most relevant to legal life.

Evolution of cross-border cooperation within the EU

The issue of borders and border areas at national and sub-national levels has become increasingly important in recent years, both in EU policies and in regional research. Since the 1990s, border studies has been evolving into a comprehensive, multidisciplinary research area[8] including papers of natural and human geography and economy,[9] sociology and cultural anthropology,[10] history and political sciences,[11] as well as legal and governance studies.[12] In recent Hungarian literature, a growing number of researchers are dealing with the topic of border studies, mainly from the perspective of economic and social geography,[13] while in recent years institutional and legal approaches[14] have also been increasingly explored. In our study, we focus primarily on the legal-administrative aspects of the subject.

After the economic and political changes of the 1990s, the national movements and territorial conflicts revived in the Central and Eastern European region, which led to the emergence of new nation-states with specific legal and administrative structures.[15] While some nations (Czech, Slovak, Slovenian, Croatian, and Serbian) reorganised their states, others (Polish, Hungarian, and Romanian) only reformulated the foundations for their national identity. Border areas have been playing a more and more important role in this re-shaping process. In order to allow the Hungarian border areas to become "building blocks" of European cross-border cooperation, two conditions needed to be met: (1) the internal condition, which was the democratic development of the border

8 Benko 1999: 13–14; Enyedi 2005; Rechnitzer–Lengyel 2009: 9–24.
9 Faludi 2010, 2018; van Houtum 2000; Veggeland 2004.
10 Klatt–Winkler 2020.
11 Blatter–Norris 2000; Böhm 2020; Newman 2019; Perkmann 2003; Peyrony 2020; Peyrony et al. 2021; Peyrony et al. 2022.
12 Engl–Evrard 2020; Guillermo-Ramírez 2018; Hooghe–Marks 2001, 2003; Jančová et al. 2023; Kurowska-Pysz et al. 2018; Maier 2008; Medeiros 2018, 2020; Sielker 2018.
13 Baranyi 2007; Czimre 2019; Éger 2020; Hardi 2000, 2004; Horváth 2017.; Horváth–Rechnitzer 2000; Nárai-Rechnitzer 1999; Nyikos 2014; Papp et al. 2021; Pásztor–Kozma 2013; Pénzes 2020; Rechnitzer – Smahó 2011; Süli-Zakar 2009; Svensson–Balogh 2018.
14 Fejes 2023; Kaiser 2006; Kruppa 2003; Ocskay 2020; Pálné Kovács 2008: 129–196; Soós 2015.
15 Zachar 2023: 109–193.

regions taking part in cooperation; and (2) the external one which was the compliance with the standards and frameworks established by the Council of Europe and the European Union.

Hungary's borders and border regions are now almost entirely covered by cooperating structures, i.e. Euroregions since the late 1990s and European Groupings of Territorial Cooperation (hereinafter: EGTC) since 2007. Hungary's borders represent all border types of the European Union, as it has seven borders of three different statuses, where cooperation can be established under different legal and administrative conditions.

For a long time, there were no uniform rules governing the institutionalisation of cross-border cooperation. Initially, cooperation took place in different organisational forms, which is why a wide range of methods for collaboration have been developed both in practice and in the literature. In the respect of institutionalisation, the most frequently cited and broadest classification is Perkmann's concept[16] who distinguishes between cooperation according to geographical extension and geographic continuity. This classification is also used in the Hungarian literature and provides a good overview for the analysis of cooperation in the European Union.

Policy background and funding of cross-border cooperation

The EU policy targeting cross-border cooperation (CBC) forms an integral part of Cohesion Policy which "is ingrained in the European DNA":[17] "without cohesion policy, the EU as we know it could well disappear".[18]

The principle of diminishing regional disparities was included in the Spaak Report (1956) preparing the Treaty of Rome. However, this principle has gained more and more emphasis since the 1970s when countries characterised with structural economic problems (the UK, Ireland and, later on, Greece, Spain and Portugal) joined the communities. Such milestones like the establishment of DG XVI responsible for Regional Policy within the Commission (1968), the launching of the European Regional Development Fund (1975), the 1984 and 1988 reforms resulting in the institutionalisation of the regional policy at the Community level based on programmes rather than on projects and on partnerships; and the inauguration of the European Single Act (1987) clearly show the evolution and strengthening of Regional Policy in the European agenda. In 1985, Jacques Delors, that-time head of the Commission set the ambitious goal to create the European Single Market by 1992 through the elimination of internal barriers generated by the national systems.[19]

The era can be seen as the great momentum boosting Regional Policy (renamed in 2004 to Cohesion Policy). In 1989 and 1990, the former Communist bloc spectacularly collapsed, giving the hope for the re-unification of the European Continent within the

16 Perkmann 2003.
17 European Commission 2024a: 24.
18 Faludi 2010: 15.
19 Veggeland 2004; Faludi 2018; Reitel et al. 2018.

European Union equipped with the single currency. Since the Maastricht Treaty (creating the Cohesion Fund and the European Committee of the Regions in 1993), Cohesion Policy has been representing one third of the total EU budget. As a result of the reforms in the 1980s, the Structural Funds, the NUTS classification system and the Community Initiatives were launched providing a colourful tool-kit for eliminating regional disparities,[20] while in 1995, the Schengen Treaty eliminated border controls between the participating member states.

The same period was characterised by the neoliberal economic discourse considering borders as barriers against free market principles.[21] Accordingly, when designing the European Single Market, the decision-makers could not avoid to tackle the challenges generated by national administrative borders. Without opening the borders, neither the free movement of persons, goods, capital and services, nor the construction of European economic, social and, since 2007, territorial cohesion can be guaranteed. Some border scholars even see border regions as "privileged areas of study for European integration mechanisms", where "the European project is constructed".[22]

Not only the Treaty on the Functioning of the European Union (TFEU) refers in Article 175 on regions, which require particular attention in the respect of cohesion, including border areas;[23] but the EU has also been developing a multi-layered tool-kit[24] for supporting local and regional actors "on both sides of the border to join together to address common problems and challenges and exploit the enhanced territorial potential resultant from the development of a functionally integrated region, where two peripheral 'back-to-back' regions existed previously".[25]

The first and earliest tool was the Interreg programme, which was launched as one of the above-mentioned Community Initiatives in 1989, creating "a direct link between border regions and European integration".[26] During its PILOT phase, 21 groups of projects were supported with a total amount of ECU 21 million. The first generation of the programme was realised between 1990 and 1993, facilitating NUTS III level inland borders and the French–British maritime border to prepare for the Single Market, with a total budget of €1.6 billion.

Between 1994 and 1999, going beyond direct cross-border areas (strand A), the second generation Interreg programmes already targeted also larger territories through the so-called transnational calls (Strand B) and promoted the development of strategic visions. The budget increased to €4.9 billion. This was the period when the CBC funds became available also for Central and Eastern European accession countries, within the framework of the Phare CBC programmes.

The C strand supporting interregional projects appeared for the first time in the third period between 2000 and 2006, when the programme focused on sustainable

20 Marks 1993; Kruppa 2003; Rechnitzer–Smahó 2011.
21 Van Houtum 2000.
22 Durand–Decoville 2018: 230.
23 Jančová et al. 2023.
24 Sielker 2018.
25 Allmendinger et al. 2015: 18.
26 Reitel et al. 2018: 15.

territorial development actions providing funds of €6.2 billion. At the same time, due to the biggest enlargement of the EU in 2004, the number of programmes has also increased.

In 2007, the Community Initiative was replaced by the third, and, in 2013 by the second objective of Cohesion Policy, called European Territorial Cooperation. The 4th and 5th generations of the programmes can be considered as the golden age when the total available fund amounted to €8.9 and 10.1 billion, subsequently, and the calls more intensively addressed cross-border integration and the removal of barriers. Furthermore, the EU launched the Instrument for Pre-Accession (IPA) and the European Neighbourhood and Partnership Instrument (ENPI) targeting also external border regions.[27]

Until 2020, Interreg has been gradually developing both in terms of geographic (today covering two thirds of the territory of the EU) and financial (the total budget has increased tenfold) scopes, and it resulted in many positive impacts such as "learning, capacity building, the creation of a collaborative infrastructure […], the promotion of policy entrepreneurship, multi-level governance […], cross-border metropolitan integration"[28], "increased trust, higher connectivity, improved environment, better health and economic growth";[29] and transformation of "a country's borders from lines of separation into interfaces".[30] What is more, thanks to the programme, "cross-border regions have become spaces for interaction, marked by the existence of enduring links which are intended to become permanent".[31] These permanent links are also supported through the second tool of European cross-border cooperation, i.e. cross-border governance, more precisely the European Grouping of Territorial Cooperation, the EGTC, which can be seen as an instrument of "legal-institutional support".[32]

Evolution of the legal framework for CBC – from the Madrid Outline Convention to the EGTC tool

CoE – the Madrid Outline Convention and its Protocols

The story of the EGTC roots back to the Council of Europe (CoE) which has always been the forerunner of all those initiatives moving forward mutual trust and peaceful coexistence of the European nations, the values of democracy and human rights. The Council of Europe recognised the crucial importance of democracy at both local and regional levels and initially played a crucial role in strengthening the competences of subnational levels and in dismantling barriers to regional and international cooperation, as well as in creating the legal and institutional conditions for local and regional democracy and the values of self-governance.

[27] Medeiros 2018; Reitel et al. 2018; Klatt–Winkler 2020; Peyrony et al. 2022.
[28] Medeiros 2018: 74.
[29] European Commission 2017a: 2.
[30] Reitel et al. 2018: 16.
[31] Reitel et al. 2018: 16.
[32] Engl–Evrard 2020: 920.

However, cross-border cooperation – both local, regional and international – can only fulfil its real role if there is a constitutional and administrative environment capable of harmonising the different legal structures and competencies, while the legal/administrative set-up of the member states significantly differs from each other, and the competences, resources and powers of the cooperating administrative units differ in several respects.[33] Institutional diversity at national level resulted in many different forms of cross-border cooperation, without a commonly accepted organisational system.

For a long time, there were no uniform regulations on the institutional forms of cross-border cooperation which appeared in various institutions, therefore a wide range of grouping methods were developed both in practice and in the literature. In the field of institutionalisation, the most used and the widest grouping aspect to classify cooperation in organised forms is Perkmann's concept, which serves as a starting point.[34] Perkmann distinguishes between cooperation by geographic extension and whether there is regional contact between them. This method is also used in Hungarian literature and gives a good overview for the analysis of the cooperation forms in the Carpathian Basin.[35] It differentiates between local, regional and national participants in the vertical aspect of multi-level governance, and in this respect, it represents their network horizontally, depending on whether immediately adjacent territories are interconnected or whether the common interests of the regional aspect arising at regional level are brought together in a broader geographical area.

In 1966, the idea of the establishment of cross-border structures was raised by the Council of Europe for the first time, when Mr Giuseppe Sibille compiled a Report on a Draft Convention on European Cooperation between Local Authorities.[36] In 1972, Viktor Freiherr von Malchus presented his report on European border areas, which was published in an extended version in 1975.[37] The report gave stimulus for the work resulting in the adoption of the European Outline Convention on Transfrontier[38] Co-operation between Territorial Communities or Authorities (Madrid Convention) in 1980.[39]

At the European level, the only document that sought to create comprehensive regulation on cross-border cooperation systems is the Madrid Convention (hereinafter: the Convention). The Convention plays a compensatory role, in which it defines the concept of cooperation across borders and offers patterns and proposals for the Member States to make the cooperation of regions and settlements across borders easier.[40] The aim of the Convention is to promote cross-border agreements between local and regional authorities within the scope of their respective powers. Such agreements may cover fields such as regional, urban, and rural development, environmental protection, the

33 Harguindéguy–Hayward 2014: 188–189.
34 Perkmann 2003.
35 Baranyi 2007; Hardi 2004; Nárai–Rechnitzer 1999.
36 Council of Europe 1966.
37 Blatter–Norris 2000: 24, 37.
38 '*Transfrontier cooperation*' is a term generally used by CoE documents as an equivalent with direct cross-border cooperation (CBC) within the EU policy documents.
39 Council of Europe 1980. ETS 106.
40 CESCI 2014.

improvement of public facilities and services and mutual assistance in emergencies etc., and may include setting up transfrontier associations or consortia of local authorities.[41]

In accordance with the Convention, transfrontier cooperation means any concerted action designed to reinforce and foster neighbourly relations between territorial communities or authorities within the jurisdiction of two or more Contracting Parties and the conclusion of agreements and arrangements necessary for this purpose. Transfrontier cooperation takes place in the framework of territorial communities' or authorities' powers as defined in domestic law.[42]

The specific forms of cooperation are derived from the internal legal regulation of each Member State, according to the Convention, which only provides a legal framework that must be filled with specific content by the internal legislations of the ratifying Contracting Parties. Under the Convention, Parties undertake to seek ways of eliminating obstacles to transfrontier cooperation and to grant to authorities engaging in international cooperation the facilities they would enjoy in a purely national context. The Convention must meet specific expectations, to be applied to the local and territorial relations of the ratifying Member States. Having variable legal and political systems, it must also create frameworks of bilateral and multilateral agreements. The Madrid Outline Convention served as a basis for numerous bilateral and multilateral agreements between national and provincial governments enabling the local stakeholders to set up cross-border organisations and structures. To allow for variations in the legal and constitutional systems in the Council of Europe's Member States, the Convention sets out a range of model and outline agreements, statutes and contracts appended to itself,[43] to enable both local and regional authorities as well as States to facilitate them with carrying out their tasks effectively.

The Convention has been modified several times, and three Additional Protocols (1995; 1998; 2009) were drafted. The three protocols of the Convention have enlarged further the room for manoeuvre of the local and regional authorities in the field of territorial cooperation.

The first Additional Protocol aims to strengthen the Outline Convention by expressly recognising, under certain conditions, the right of territorial communities to conclude transfrontier cooperation agreements, the validity in domestic law of the acts and decisions made in the framework of a transfrontier cooperation agreement, and the legal corporate capacity ("legal personality") of any cooperation body set up under such an agreement.[44]

The Protocol no. 2 aims to strengthen inter-territorial cooperation between European countries. It follows the Council of Europe's declaration at the Vienna 1993 summit to build a tolerant and prosperous Europe through transfrontier cooperation. The Protocol complements the existing Convention and Protocol, which are concerned with relations between adjacent communities that share common borders. These two

41 Madrid Outline Convention 1980, Preamble.

42 Madrid Outline Convention 1980, Article 2.

43 Appendix numbered 1.1 to 1.5 and 2.1 to 2.6. These model and outline agreements, statutes and contracts are intended for guidance only and have no treaty value.

44 Council of Europe 1995. ETS No. 159.

legal texts have proved so successful that twinning agreements have begun to spring up between areas that are further apart. Protocol 2 recognises the right of authorities to make such agreements and sets out a legal framework for them to do so.[45]

The Protocol no. 3 to the Madrid Convention provides for the legal status, establishment and operation of "Euroregional Cooperation Groupings". Composed of local authorities and other public bodies from the Contracting Parties, the aim of a grouping is for transfrontier and interterritorial cooperation to be put into practice for its members, within the scope of their competences and prerogatives. Under the Protocol, the Council of Europe may draw up model national laws for facilitating adoption by the Contracting Parties of appropriate national legislation for enabling the "Euroregional Co-operation Groupings" to operate effectively.[46]

One can conclude that without the Convention, the proliferation of these cross-border structures would have been impossible. Today, more than 300 such structures exist in Europe, which all are aimed at diminishing the separating effects of state borders, developing mutual trust, maintaining peaceful coexistence and promoting local cross-border democracy and the basic rights of free movement across the borders. However, several recommendations and opinions of the international organisations representing regional interests (Council of Europe; Assembly of European Regions, AER; Association of European Border Regions, AEBR) only provide a framework for cooperation, which can merely be filled with the expected content by national legal regulation. The steady guarantees going beyond the national frames has been missing until the creation of the EGTC tool.

EU – the EGTC as a legal tool for CBC

Over 25 years after the adoption of the Madrid Convention, the Regulation (EC) 1082/2006 of the European Parliament and of the Council on a European grouping of territorial cooperation (EGTC) provides a response to the lack of legal and institutional instruments and ensures cooperation facilities for the local and regional authorities and Member States under EU law. In 2013, the EGTC regulation was revised as regards the clarification, simplification and improvement of the establishment and functioning of such groupings and involvement of third countries clearer.[47] The revised EGTC Regulation has applied since 22 June 2014. The EGTC is a European legal instrument that aims to facilitate and promote territorial cooperation, including one or more types of cross-border, transnational and interregional cooperation[48] between its Parties with the aim of strengthening the Union's economic, social and territorial cohesion.[49] The

45 Council of Europe 1998. ETS No. 169.

46 Council of Europe 2009. ETS No. 206.

47 Regulation (EU) No 1302/2013.

48 The three forms of EGTCs are: 1) cross-border cooperation between adjacent border regions in neighbouring countries; 2) trans-national cooperation between groups of countries and regions, mainly in the field of spatial planning; and 3) inter-regional cooperation between regions or cities in various countries.

49 Regulation (EC) 1082/2006, Article 1 (2).

European Union's programming period from 2007 follows a similar logic, which adjusts the aid schemes to the appropriate forms of cooperation and provides uniform legal solutions for all cooperation programmes, establishing the institutional form of the EGTC.

In each Member State, the EGTC has the most extensive legal capacity accorded to legal persons under that Member State's national law, and the registered office of the EGTC is located in a Member State under whose law at least one of the EGTC's members is established.[50] Where it is necessary to determine the applicable law under European Union law or private international law, the EGTC is an entity of the Member State where it has its registered office.[51] EGTCs are unique in the sense that they enable public authorities of various Member States to team up and deliver joint services without requiring a prior international agreement to be signed and ratified by national parliaments.[52]

With some exceptions,[53] the members of an EGTC can be states, local and regional authorities as well as other bodies and public undertakings – if they are located on the territory of at least two Member States.[54] An EGTC may be made up of members located on the territory of only one Member State and of one or more third countries neighbouring that Member State, including its outermost regions, where the Member State concerned considers that EGTC to be consistent with the scope of its territorial cooperation in the context of cross-border or transnational cooperation or bilateral relations with the third countries concerned. On the basis of the EGTC Regulation Article 3a (2), the establishment of the first EGTC, which involved a third country member, namely the Tisza EGTC, has become possible because Ukraine ratified the Madrid Outline Convention and its third protocol. This legal background provided the framework for the Transcarpathian Region to join a Hungary-based EGTC.

EGTCs act on behalf of their members, who adopt their statutes by means of special conventions outlining the organisation and activities of the grouping. As a minimum requirement, an EGTC must have two organs: an assembly, which is made up of the representatives of its members, and a director, who represents the grouping and acts on its behalf.[55] Furthermore, the powers of EGTCs are limited by the respective powers of their members. Public authority powers, such as policymaking and regulatory powers, cannot be transferred to an EGTC. The assembly adopts the EGTC's annual budget estimates, in respect of which an annual activity report is produced and certified by independent experts. The EGTC can establish an annual budget which shall be adopted by the assembly, containing, especially a component on running costs and, if necessary, an operational component.[56]

The EGTC signifies decentralised cooperation, and is built on decades of experience with euroregional cooperation. Its vertical projection connects actors on different levels – European, national, sub-national – and involves them in the common European decision-making. On the other hand, its horizontal dimension leads to the interaction

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50 Regulation (EC) 1082/2006, Article 1 (4)–(5).
51 Regulation (EC) 1082/2006, Article 2 (1).
52 Maier 2008: 37–40.
53 Except as provided for in EGTC Regulation 1082/2006, Article 3a (2) and (5).
54 Regulation (EC) 1082/2006, Article 3.
55 Regulation (EC) 1082/2006, Article 10.
56 Regulation (EC) 1082/2006, Article 11 (1).

of actors on the same level, thus creating a European network whose operating principle is autonomy based on vertical and horizontal partnerships in accordance with multi-level governance.[57] According to the famous two models of multi-level governance introduced by Hooghe and Marks,[58] the second model can be considered a rather network-based solution where jurisdictions can be overlapped.[59] The White Paper on Multi-level Governance released by the Committee of the Regions in 2009 followed the second model, including the presentation of cross-border cooperation structures.[60] The multi-level governance platform is characterised by Liesbet Hooghe and Gary Marks as "task-specific governance": the flexible structure of a network with multi-level and cross-cutting membership aiming at delivering specific public goods for society.[61]

However, the adaption of the form of the EGTC is not obligatory; it is an instrument besides the existing ones, and choosing it is optional, it represents a new alternative to increase the efficiency, legitimacy and transparency of the activities of territorial cooperation, and at the same time secures legal certainty and the institutional guarantees for maintaining the results of cross-border projects founded by the Interreg CBC programmes. It is applicable in every Member State, even in those that have not signed the Madrid Convention and its Additional Protocols or specific bi- and multilateral agreements. The new legal instrument supplements the already existing initiatives and forms of cooperation.

In its report of April 2018 on the application of the EGTC Regulation, the Commission confirmed the European added value of the instrument: cooperation among EGTC members from different Member States and third countries facilitates decision-making and contributes to the joint development of objectives and strategies across national borders. EGTCs and EGTC memberships are growing steadily in number across the EU, and their uses are multiplying. As a result of the changes to the EGTC Regulation in 2013, EGTCs are now involved in various European territorial cooperation (INTERREG) programmes and projects, and in implementing other cohesion policy programmes, for example in the field of rural development.

Despite positive developments in the use of these instruments, the Parliament believes there is room for improvement: in its resolution of 11 September 2018 on boosting growth and cohesion in EU border regions, the Parliament regrets that the potential of EGTCs is not being fully exploited.[62] This could be due partly to regional and local authorities' reluctance, and partly to their fear of a transfer of competences and a lack of awareness of their respective competences. In addition, Parliament calls on the Commission to propose measures to overcome the obstacles to the more effective application of the EGTC instrument.

On 15 September 2022, the Parliament adopted a resolution on EU Border Regions: Living Labs of European Integration.[63] The resolution proposes addressing the structural

57 Medeiros 2020: 145–168; Peyrony 2020: 220–223; Scott 2020: 37–63.
58 Hooghe–Marks 2003.
59 Hooghe–Marks 2001: 4–29.
60 Committee of the Regions 2009.
61 Hooghe–Marks 2003: 6–12.
62 European Parliament 2018.
63 European Parliament 2021.

disadvantages faced by all border regions through a dedicated regional aid scheme. It also asks that 0.26% of the EU's cohesion policy budget be allocated to tackling the structural challenges in border areas. It specifies that the amount should be granted at the start of the new budget programming period (2028–2034) and should be awarded to EGTCs or similar structures in border regions.

Towards a permanent mechanism eliminating border obstacles

Classification of border obstacles

Undoubtedly, the EGTC tool meant a revolutionary breakthrough in the European territorial cooperation policy giving permanency for partnerships which enabled long-term strategic planning and the maintenance of project results. At the same time, in the absence of competences,[64] the tool is "considered as insufficient to overcome all existing legal obstacles to cross-border cooperation".[65] This shortage became salient during the Covid–19 pandemic, when border closures dramatically paralysed cross-border mobility and collaboration regardless of the existence of EGTCs and other structures.[66]

In addition, it is a common observation that, in parallel with the intensification of cooperation, the quantity of obstacles also increases.[67] These barriers and obstacles can be classified along diverse aspects (e.g. by sectors like transport, health, etc.; by nature: physical/infrastructural, geographical, mental/cultural/linguistic, etc.; geographic scope: local, national, international, global, etc.). Based on the model applied at the Spanish-Portuguese EUROACE Euroregion, Kurowska-Pysz et al.[68] differentiate between *internal* and *external* obstacles to cross-border cooperation. The first type includes barriers characterising the cooperation itself, like the method of communication, the availability of internal resources and capacities, the knowledge of the involved actors. These are barriers whose elimination is manageable by the cooperating partners themselves, unlike external ones (the socio-economic conditions, the Cohesion Policy principles and EU funding rules, as well as the administrative and legal obstacles). When assessing these obstacles, the legal barriers prove to be the most important, as polls show it.[69] The highest ranking among the barriers is well justified by the strong capacities of standards and rules in defining further (e.g. institutional, technical, political, fiscal, etc.) factors for cooperation.

Based on an EU document of 2017,[70] Engl and Evrard[71] and Klatt and Winkler[72] equally differentiate between three types of legal-administrative obstacles within the

64 Peyrony et al. 2022.
65 Jančová et al. 2023: 5.
66 See e.g. Böhm 2020; Albers et al. 2021; Giacometti–Meijer 2021; Medeiros et al. 2021; Peyrony et al. 2021.
67 Guillermo-Ramírez 2018; Engl–Evrard 2020; Medeiros et al. 2022.
68 Kurowska-Pysz et al. 2018: 136.
69 Medeiros 2018.
70 European Commission 2017b.
71 Engl–Evrard 2020.
72 Klatt–Winkler 2020.

context of the European Union. There are obstacles which stem from the absence of EU legislation or the failed adaptation thereof in a policy field where the EU has competence. Another group is composed by the barriers generated by the incoherent or inconsistent implementation of national laws where the EU has no or partial competence. The third type of administrative obstacles is caused by the inadequate procedures. The last group can be completed with the phenomenon of hierarchical asymmetry, meaning that due to the differences between the national administrative systems, the competences are delegated to different levels on the two sides of the border (e.g. to the local level on the one side, to the national one on the other).[73] According to Kurowska-Pysz et al.: "External barriers are particularly difficult to overcome."[74] One can add that they cannot even be overcome without external assistance.

The Commission's proposal of 2018 on a European mechanism for eliminating cross-border obstacles

In order to ease cross-border mobility and integration, the European Commission initiated the third tool of the tool-kit, namely a mechanism facilitating the elimination of legal and administrative obstacles.[75] The proposal was born in a very optimistic atmosphere, before the series of deep crises of the European project, including the migration, the Brexit, the Covid–19 and the Ukrainian crises. All these crises amplified the security discourse favouring for border closures and weakening the positive attitude towards cross-border integration. This change can be detected through the story of the proposal on the mechanism.

After having good results of the Interreg programmes and the EGTC tool, at the beginning of the 2010s, the attention turned towards the legal and administrative differences and obstacles hampering further integration of the EU across the borders.[76] The first step was taken again by the Council of Europe, which commissioned the Institute of International Sociology of Gorizia (ISIG) with the compilation of a manual[77] and the development of a portal called E-DEN providing knowledge and guide for eliminating cross-border obstacles.[78] The project was based on a Recommendation adopted by the Committee of Ministers as early as 2005, encouraging the member countries to improve the legal environment for transfrontier and interterritorial cooperation. The Council of Europe launched a survey in 2009 targeting cross-border obstacles, which was followed by the above-mentioned project implemented by the ISIG. The portal included several hundreds of cases of cross-border legal and administrative obstacles and numerous best practices open for the public and the regional stakeholders, which generated a favourable climate for further initiatives.

73 Medeiros et al. 2022.
74 Kurowska-Pysz et al. 2018: 143.
75 MOT 2018.
76 MOT 2018.
77 Council of Europe 2013.
78 The online platform, which is available at https://edenplatform.org/ has been further developed since then.

In 2015, Corina Crețu, Commissioner for Regional Policy launched the Cross-Border Review project with the aim of developing further cross-border cohesion already facilitated by the Interreg programmes and the EGTC tool. During the project, the Commission collected evidence on persisting legal and administrative obstacles through a stakeholder consultation including a survey, advisory missions at 11 locations throughout Europe and stakeholder group meetings, a study[79] and a comprehensive database.[80] The experts identified 239 obstacles hindering cross-border mobility and integration along the internal land borders of the EU. In addition, the researchers of another commissioned scientific study[81] demonstrated that the elimination of legal and administrative obstacles would increase the GDP of the border areas with 8.7% and the number of jobs with 1 million, which became a reference point in arguing for the elimination of obstacles in border regions representing 40% of the entire territory of the EU and giving home to nearly 30% of its total population.

As a result, in 2017 the Commission issued the Communication "Boosting Growth and Cohesion in EU Border Regions"[82] including an Action Plan identifying necessary interventions on 10 fields in order to ease the life of border citizens often locked away from high-quality services.[83] In 2018, the DG REGIO established the Border Focal Point providing assistance for local actors in sharing expertise relating to obstacles and opened a platform for exchanges at the EU's Futurium portal; published the outcomes of its PILOT project targeting data harmonisation of the national statistical offices;[84] and launched the so-called b-solutions initiative managed by the Association of the European Border Regions (AEBR). The AEBR addressed local and regional institutions in order to collect examples on persisting obstacles and assigned legal experts to analyse the reported cases and to find solutions thereto. During the first two phases of the initiative, between 2018 and 2023, more than 100 cases were reported and analysed. By the time of writing of this article, 90 cases were published, which, on the one hand, presented national level policy solutions replicable in other European regions;[85] and, on the other hand, pointed at the need for a new mechanism enabling the elimination of the obstacles, which could be the European Cross-Border Mechanism (ECBM).[86]

The proposed Regulation on the European Cross-Border Mechanism was a result of a preparatory work launched in parallel with the Cross-Border Review project by the Luxembourg Presidency of the EU, which set up a working group on innovative solutions to cross-border obstacles coordinated by the French Mission Opérationnelle Transfrontalière (MOT) in 2015.[87] The informal working group, which involved experts of national authorities from 12 member states, EU institutions and advocacy organisations

79 Pucher et al. 2017.
80 The database was not available at the time of writing.
81 Camagni et al. 2017.
82 European Commission 2017a.
83 Sielker 2018; Engl–Evrard 2020; Medeiros et al. 2022; Fejes 2023.
84 van der Valk 2018.
85 Medeiros et al. 2022.
86 Jančová et al. 2023.
87 MOT 2018; Sielker 2018; Engl–Evrard 2020. The preparatory process of the proposal is explained in detail by Engl–Evrard 2020.

like AEBR and CESCI[88] held 7 meetings between 2016 and 2018[89] and issued a report during the summer of 2017, proposing the establishment of a European Cross-Border Convention (ECBC) to eliminate cross-border legal and administrative obstacles. The Convention would have enabled the adoption of one member state's legislation on the other side of the border and the elimination of those discrepancies generated by failed adaptation of EU law in neighbouring countries, for the purpose of a cross-border project, infrastructure or service of general economic interest, with a limited geographic scope.[90]

Based on the working group's activities, in June of 2018, the Commission presented a draft Regulation on a European mechanism[91] to resolve legal and administrative obstacles in a cross-border context [COM (2018) 373 proposal].[92] Following the positive opinion of the European Parliament, the Working Party on Structural Measures of the Council (SMWP) included the proposed Regulation in the Cohesion Policy package, which was welcomed both by the Committee of the Regions and the European Economic and Social Committee.[93] The draft regulation proposed two solutions: the European Cross-Border Commitment (ECBC), which would have been self-executive (transferring one Member State's law in another one without amending the national regulations); and a European Cross-Border Statement (ECBS), which would have obliged the member states to amend their legislation for eliminating the obstacle. In addition, the Regulation required the Member States to set up a Cross-border Cooperation Point designed to communicate with the initiators and the authorities, to develop proposals on the amendments, as well as to operate a database on the obstacles met. As Sielker[94] and the MOT[95] highlight, if neither an ECBC nor an ECBS proved to be efficient, the authorities could have opted for an ad hoc solution as well. What might be seen the most advanced element of the proposal, it was the authorisation of local or regional authorities to trigger legislative processes at national level,[96] conferring thus competences to the sub-state level.[97] As Engl and Evrard[98] stipulate: "In allowing sub-state authorities to apply the law of a neighbouring member state, this mechanism would empower border areas to manage their own integration through projects (functional-horizontal) and institutionalise a policy pathway for finding dedicated solutions to border-specific legal or administrative obstacles (institutional-vertical). The ECBM therefore gives a new impetus to multi-level governance." This might have been the main reason of the concerns and critics of the Member States in the Council.

88 Svensson–Balogh 2018.
89 Engl–Evrard 2020.
90 Sielker 2018; Engl–Evrard 2020; Jančová et al. 2023.
91 The term of Convention was found inadequate by the Commission as being already booked for inter-state agreements.
92 MOT 2018; Fejes 2023.
93 Sielker 2018; Engl–Evrard 2020.
94 Sielker 2018.
95 MOT 2018.
96 Sielker 2018.
97 Engl–Evrard 2020; Jančová et al. 2023.
98 Engl–Evrard 2020: 931.

The strongest counter-argument to the proposal was that it questioned the territorial sovereignty of the nation states when allowing the jurisdiction of another country on their own territory. This extraterritorial aspect of the draft regulation could have breached even the constitution of some Member States despite that the adoption of the neighbour's law would have required the approval of both states[99], while regional authorities would have not been equipped with direct regulating power.[100] However, the proposal raised concerns regarding the subsidiarity principle as it would have authorised the Commission with competences in several policy fields falling under national competence[101] and resulting in legal uncertainty (as a consequence of the self-executive procedure of the ECBC).[102]

Another critical remark questioned the voluntary nature of the proposal, because the Regulation obliged the Member States to opt for one of the solutions.[103] Other member states pointed at the complexity and burdensome character of the proposed solutions compared with much simpler bi-lateral treaties, especially if we take the marginal nature of the expected cases into consideration.[104]

The strongest opposers of the proposal were the Swedish and the Spanish governments. The latter one raised concerns related to the Basque and Catalan separatist movements seen equipped with further justification for their ethno-political actions through the ECBM tool.[105] Sweden criticised the draft regulation from the point of view of subsidiarity despite that the Nordic States agreed on mutual exchange of information on legal acts influencing the Nordic cooperation as early as 1962 (Helsinki Treaty), and in 2014, the Nordic Council of Ministers set up the Freedom of Movement Council with the same mission as the ECBM would have been triggered. Since 2014, the Council has systematically been eliminating cross-border legal obstacles within the Nordic area.[106] Article 4 of the draft Regulation[107] clearly allows for applying existing solutions like the one created by the Nordic states, however, as the CLS underlined, the voluntariness of the tool cannot be based on this article, due to the ruling power of a Regulation.

As a consequence of the critics and concerns, the Council's Legal Service (CLS) issued its opinion in March 2020 underpinning the Member States' concerns regarding sovereignty and subsidiarity.[108] During the Slovenian Presidency in the second half of 2021, the SMWP decided to suspend the work with the file.[109]

99 Sielker 2018; European Commission 2020.
100 Engl–Evrard 2020.
101 Sielker 2018; European Commission 2020; Jančová et al. 2023.
102 Engl–Evrard 2020.
103 Sielker 2018; Jančová et al. 2023.
104 Sielker 2018; Jančová et al. 2023.
105 Engl–Evrard 2020.
106 Svensson–Balogh 2018.
107 European Commission 2018.
108 Jančová et al. 2023.
109 Peyrony et al. 2022; Jančová et al. 2023.

The Commission's proposal of 2023 on a facilitating tool to remove cross-border obstacles

In November 2022, as a consequence of the EP Resolution 'EU Border Regions: Living Labs of the European Integration' adopted in the summer at the same year, the European Parliament triggered the compilation of an own-initiative report aiming to amend the ECBM proposal.[110] In parallel with these steps, the Committee of the Regions, together with AEBR, MOT and CESCI launched the European Cross-Border Citizens' Alliance, which, responding the challenges generated by the border closures during the Covid–19 pandemic, adopted a declaration titled 'Cross-Border regions at the heart of tomorrow's Europe'; and launched a public consultation providing evidence for the CoR' Resolution 'Vision for Europe: Future of Cross-Border Cooperation' which, among others, expressed the CoR's support towards an amended proposal on ECBM.[111]

In 2022, the EP commissioned the European Parliamentary Research Service with the compilation of an added value assessment of the new mechanism, which included practical recommendations on how to amend the ECBM proposal through simplification, strengthening the Member States' ownership and providing them with larger room for implementation, extending the geographic scope of the tool to NUTS II level, keeping the coordination points and ensuring financial assistance for their operation.[112] The same experts replied the value-added analysis of the study of 2017 and concluded that the "total GVA benefit from the complete removal of legal and administrative barriers would yield around €457 billion per year, representing 3.8% of total EU GVA in 2019. Looking at a more realistic and feasible scenario of a 20% removal of obstacles for all border regions, we found a total GVA benefit of €123 billion per year, representing around 1% of total EU GVA in 2019."[113] In addition, the experts estimated the loss of 4 million jobs due to the persisting legal obstacles breaching the fundamental rights of border citizens[114] and highlighting the failures of the functioning of the Single Market.[115]

In 2023, the European Parliament[116] and the Committee of the Regions[117] adopted two reports calling and encouraging the Commission to compile an amended proposal on the ECBM tool. The new proposal, which was published in December 2023,[118] triggered a new lively debate in the Council's Working Party on Structural Measures and Outermost Regions (SMOR). Interestingly, regardless of the amendments implemented by the Commission in compliance with the critics of the Member States and the CLS (including radical simplification of the tool to mere coordination measures between the countries; the operation of at least one Cross-Border Coordination Point acting as a one-stop-shop

[110] Jančová et al. 2023.
[111] Jančová et al. 2023.
[112] Jančová et al. 2023: 29.
[113] Jančová et al. 2023: 26.
[114] Jančová et al. 2023.
[115] Engl–Evrard 2020.
[116] European Parliament 2023.
[117] Committee of the Regions 2023.
[118] European Commission 2023a. The amended proposal explicitly limits its scope to facilitating cross-border solutions instead of enabling the application of an extraterritorial law in any of the EU Member States.

of obstacles as the only mandatory component of the proposal; avoiding obligations on the national authorities regarding the elimination of the reported obstacles; and the mere optional application of the so-called Cross-Border Facilitation Tool), the national representatives raised the same concerns of subsidiarity, sovereignty, legal uncertainty, effectiveness, administrative and financial burdens, etc. as in the period of 2018–2021. The strongest opponents were again Spain and Sweden accompanied with Finland and the maritime countries (Cyprus and Malta), which hardly can implement the rules of the proposed Regulation. At the same time, the reluctance of the majority of the Member States neglecting the positive assessment given by the CLS experts on the amended proposal might result not from the legal concerns but from the worsening climate for cooperation: the re-bordering tendencies, re-nationalisation of policies and the raise of a populist discourse disfavouring initiatives aiming to dismantle border barriers.

Conclusions

If we have a look at the European history of the last 400 years spent since the Westphalian Treaty, we can see a continuous series of armed conflicts targeting the set and re-set of national borders. In the meantime, some countries disappeared, many new ones were born, still, others have been moved from one territory to another. But the border drawing game has rarely been delivered in a peaceful way. On the contrary, the modification of the borders was accompanied with expelling or exchange of the population, breakout of new and new ethnic conflicts, forced assimilation and much suffering.

When creating the financial (Interreg) and the governance (the Madrid Outline Convention and the EGTC) framework, as well as a tool for removing legal barriers (the ECBM and the FCBS) for the cross-border cooperation, the Council of Europe, and more recently the European Union, enable us to lay the basis for peaceful encounters where the different ethnic groups have the opportunity to get to know each other better, to work together on their shared future, which are the basic conditions for mutual trust and respect. Furthermore, cross-border governance has an additional positive impact, by these new experiences, the European nations may overcome their past conflicts generating so much trouble.

The European Union provided new tools in every 15 years to reach these goals: the Interreg in 1989, the EGTC in 2004 (the year of the publication of the draft regulation) and the ECBM in 2018. Until 2015, when both the Cross-Border Review project and the ECBM proposal were launched, the evolution of the tool-box was unbroken. Even more, some protagonists of CBC suggested to conferring competences for and enabling the election of representatives of cross-border structures, like the EGTCs.

However, the year of 2015 also introduced the period of permanent crises. The unprecedented migration wave and the terrorist attacks in France and Belgium (2015) forced several governments to re-allocate their border controls keeping still in effect. The Brexit campaign (between 2016 and 2020) reinforced the sceptical voices questioning the European messages, while during the Covid–19 pandemic (between 2020 and 2021) the states re-installed the long-ago spiritualised borders even in highly integrated cross-border areas. The Russian invasion against Ukraine in 2022 brought the issue of territorial sovereignty back to the forefront. Undoubtedly, the optimistic atmosphere, in which the ECBM proposal was born has gone. The fierce opposition to the proposal on behalf of some Member States indicates that the re-bordering tendencies succeeding the crises impacted the spirit of cooperation the most. It is a big question, how this new tendency will influence the future programming period and the role of European Territorial Cooperation therein. Well, the signs are not encouraging…

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Ottília György[1]

A Comparative Analysis of the Circular Economy Strategies of the EU Member States

This paper focuses on the circular economy and, within this, on the strategies prepared by EU Member States to move towards a circular economy. The European Commission's 2014 Communication "Towards a Circular Economy: a Zero Waste Europe" launched the transition to a Circular Economy (CE) in EU Member States. Subsequently, not only has the EU issued a CE Action Plan and a number of documents over the last 9 years, but Member States have also developed their own national strategies for the transition to CE during this period. These strategies vary from country to country, not only being country-specific, but also very heterogeneous in their name, composition, form, objectives and timeframe. The main research question of this paper is what the EU Member States' circular strategies contain, and what the member states focus on within each of the categories I have chosen, what are the common points, and above all, the similarities and differences along the individual categories. To answer the "what" question, I used quantitative content analysis, while to answer the "what kind of" question, I used qualitative discourse analysis. The research is timely because by 2023, all EU countries without exception will finally have published their CE strategies. Previous studies that have looked at similar aspects only provide partial comparisons, as not all countries had a CE strategy.

Keywords: circular economy, content analysis, circular strategies, EU Member States

Introduction

In 2014, the European Commission issued a Communication "Towards a circular economy: a Zero Waste for Europe",[2] which launched the efforts to move towards a circular economy (CE). As the circular economy model offers many advantages for Europe to ensure a sustainable economy, the EU countries started to implement this effort by preparing a framework in 2015.[3] Since then, the EU has published more than 20 documents

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[2] European Commission 2014.

[3] Ulmann 2015.

aiming at the transition to a circular economy. Since 2015, the European Commission has continuously published decisions, reports and drafts on the transition to a circular economy, starting with the 2015 Action Plan.[4] More than 20 documents have CE in their titles.[5] In addition, the European Parliament has also adopted several initiatives since 2015,[6] and Eurostat is also monitoring the situation of EU Member States on the circular economy with up-to-date statistics according to a now established framework.[7] The primary objective of these documents is to help European countries to make the transition to a circular economy and to accelerate progress.

The transition to a circular economy is a wide-ranging activity that depends on the actions of all economic actors, from consumers to businesses to governments. It is precisely for this reason that we are facing an extremely lengthy process, which will require a great deal of research by future generations. There is no single, universal practice for the transition to a circular economy, and different countries and sectors will have to implement it in different ways,[8] depending on the situation in each country, the economic actors, the type of products and the behaviour.

Theoretical background

In recent years, there has been a surge in the literature on this topic, with an increasing number of experts exploring the issue. However, it is clear that there is still a gap between the theoretical approaches and research on the circular economy, EU ambitions and the practical implementation. EU countries have developed national strategies for the transition to a circular economy, each with a country-specific vision, a framework, with appropriate objectives, measures and sometimes indicators to monitor progress. I agree with the idea expressed in the Circular Czechia Strategy that the circular economy is a means to an end, which helps to minimise negative environmental impacts and maximise economic circularity.[9] With this, there is a need for measurement and strategies, which will be discussed later in my paper. In addition, the number of studies that provide a comparative analysis of the CE progress of EU Member States has increased in the last 5 years. Marino-Pariso (2020) presents a comparative analysis of the CE transition in the 28 EU Member States. The analysis shows that the transition is very heterogeneous, each country progressing at its own pace, but at the same time, countries with higher GDPs have better recycling efforts.[10]

Cramer (2022) examined the extent to which a government can contribute to the effective implementation of CE. He argues that receptiveness to network governance on the part of members of society and the active participation of stakeholders are essential for the transition. This includes the attitude of civil society, as well as that of businesses.

4 European Commission 2015.
5 European Commission 2015, 2017, 2018, 2019, 2020, 2021, 2022, 2023a, 2023b.
6 European Parliament 2015, 2018, 2021.
7 Eurostat 2023.
8 Ritzén–Sandström, 2017.
9 Government of the Czech Republic 2021.
10 Marino–Pariso 2020.

Today, the competitive advantage of large companies may also depend on their embeddedness in the CE approach. In addition, financial support is essential to acquire CE skills and to enhance business development.

The study, which compares 16 countries, divides governmental attitudes towards the development of CE activities into 4 groups:

- Strong government leadership, medium/high level of stakeholder involvement (industry) and receptiveness to network governance is present in the country (the most favourable case)
- Lack of strong government leadership, but medium/high involvement of economic actors (industry), progress from the bottom, willingness to cooperate
- There is strong government leadership, but involvement of actors (especially industry) and receptiveness to network governance is top-down
- Countries where there is no strong governance, low levels of stakeholder involvement and no collaboration. Low receptivity to network governance prevails

The implementation of CE requires a change that is challenging for countries, and this requires awareness raising and education, the creation of a CE platform, the existence of CE experts.[11]

According to Mazur (2021), there is a so-called "two-speed Europe", where EU Member States can be divided into two broad groups in terms of the degree of CE progress. There is a group of leading (economically advanced) countries and a second pole, which includes countries that are making slower progress (countries in Central and Eastern Europe and Southern Europe).[12] Similar results are shown in another study, which suggests that for the time being, EU Member States can be classified into two clusters in terms of CE progress.[13] Mazur (2021) also notes, however, that the different degrees of progress towards CE in some countries may depend on the timing of the adoption of different development strategies for the transition to a circular economy adopted by each country, which will be discussed later in this research. The author stresses in his article that only a few of the CE development strategies are considered to be truly adequate for the transition to a circular economy.[14]

In his study, Smol (2021) examined the national circular strategies of EU Member States and the indicators contained in these strategies.[15] He concludes that the use of the already developed CE monitoring framework is recommended for a coherent transformation at European level, as it contains CE indicators that provide a holistic picture of each country. It also allows, of course, to compare countries according to a single set of indicators.

There is no doubt that in order to measure progress towards the CE, EU Member States need to set targets, which in fact justifies the need for national strategies. Lacko et al. (2021) also stress in their study that in order to make progress in the transition

11 Cramer 2022.
12 Mazur 2021.
13 György–Tóth 2023.
14 Mazur 2021.
15 Smol 2021.

to a circular economy, a roadmap is needed for the long term.[16] In other words, the country-specific situation analyses must be prepared, the objectives to be achieved must be formulated, and the associated follow-up and measurement methodology must be established. In the following I will examine the CE strategies in the Member States.

The national circular strategies can be found on the website of the country office that produced the document, which varies from country to country, or on the website of the European Union

Circular Economy Stakeholder Platform,[17] a joint initiative of the European Commission and the European Economic and Social Committee. There are generally two approaches to the preparation of CE strategies: a horizontal approach and a sectoral approach.[18] The horizontal approach is in fact an integrated/holistic approach, focusing on the full complexity of the circular economy (aiming at bottom-up initiatives). The sectoral approach pays attention on specific value chains, focusing on specific sectors linked to a territory.

Depending on which method the strategy uses, there are 4 types of EU national strategies (or roadmaps):[19]

- integrated strategies without a specific sectoral focus: these are likely to have been applied where the concept of a circular economy is relatively new, still in the process of being introduced. These strategies are often policy-driven, usually top-down, with the main aim of introducing the concept and bringing together different stakeholders, laws and regulations. Value chains are also sometimes indirectly reflected in these strategies
- strategies with a sectoral focus
- comprehensive strategies with clear priorities, which focus on all areas and link sectors
- National Action Plans, where the focus is not on setting vision and goals, but mainly on policy measures and a concrete agenda

But it's not just the structure of the strategies that varies from country to country, but also which agency is responsible for which. In addition, the strategies differ in their name, composition, form, objective, timeframe, all of which make up a very heterogeneous picture of the whole of the country. As Smol (2021) writes in his study, the strategies depend on the socio-economic situation of the member country.[20] In addition, in my opinion, it also depends on when the strategy was written, as there is a difference of almost 10 years, with some countries adopting their national strategy in 2014 and others only in 2023. This almost 10 years is in fact the golden age of literature and research on CE, so the more recent strategies are much more comprehensive, concrete and clear. Nevertheless, the earliest strategies were the pioneers in this field, and as a result, those countries are well ahead in the transition to CE.

16 Lacko et al. 2021.
17 See: https://circulareconomy.europa.eu/platform/en/
18 European Economic and Social Committee 2019.
19 European Economic and Social Committee 2019.
20 Smol 2021.

In his study, Smol (2021), analysing the strategies, concludes that these national strategies can actually be divided into three types.[21] There are integrated national (or regional) strategies that focus on policy, there are strategies that focus on specific sectors, and there are comprehensive strategies that clearly define priorities. The CE strategies of each EU Member State differ greatly, with different key sectors in each strategy. It is important to note that although key sectors are identified in the strategies of almost all Member States, not all EU strategies have adequate indicators. In addition, there is no consensus yet on the best way to monitor the different CE activities.[22]

What is common to the strategies of the Member States, however, is their sense of the need to move to CE and the need to achieve this transformation through indicators based on national capabilities and intrinsic characteristics. The strategies aim at long-term planning and most of them contain a vision, objectives, key areas or key CE implementation areas and the measures to be taken in this respect.

Methodology

The methodology I chose for my research is mixed content analysis, which I will explain in more detail below. Nowadays, a mixed (quantitative content analysis and qualitative discourse analysis) methodological approach is common in social sciences.[23] The application of mixed text analysis methodology in the study of economic and social phenomena results in a deeper and clearer analysis of the topic. In my case, the main research question is what are the circular strategies of the EU Member States and what are the main points of emphasis within each of the categories I have chosen, what are the common points, especially the similarities as well as the differences along each category. To answer the "what" question I used quantitative content analysis, while to answer the "what kind of" question I used qualitative discourse analysis. The methodological mix used in this research[24] provides an opportunity to get a general idea of the strategies that were developed and the form they took, as well as the methodology chosen. While qualitative discourse analysis provides insights into which factors are considered important by which countries in terms of the transition to a circular economy.

In line with the methodology used, my research work went through the following phases:

- First, the general research question was formulated.
- This was followed by a double reading of the strategies (26 Member States' strategies, with the exception of Croatia, which is in the process of publishing its CE strategy), with the aim of reviewing the documents to gain insight into the relevant sections and passages, which contain findings that are relevant and relevant to the topic.

21 Smol 2021.
22 Cader et al. 2024.
23 Gering 2017.
24 Creswell 2009.

- The next stage was to select the main categories. The purpose of categorisation is to select the most important elements from a large number. This simplification has made the text more transparent and the analysis more focused.
- Then came the text analysis part, which did not have predefined subcategories, but looked at the most frequently occurring elements within each theme and coded them accordingly. Only those words that were actually manifested in the texts could be coded, which could then be converted into measurable units. The aim was to find out which terms and topics were the most frequent within each category. In other words, how many countries mention the same things within a category in the strategies, i.e. how often do they refer to certain characteristics (e.g. main objectives).
- Finally, the last phase was the phase of interpretation, in which I tried to shed light on and draw conclusions about the regularities in the text on the basis of the tendency-like co-occurrences, since the content appearing in large quantities and with high frequency suggests that those themes are more important and more dominant than the content appearing in smaller quantities.

On this basis, my quantitative analysis examined 26 strategies according to the following 12 categories (in some cases, whether these categories exist in the strategy): type of strategy, scope, year of publication, period covered, page number, type of title chosen, vision, main objective, objectives, priority sectors, actions, priority areas. Of these categories, the last 6 were coded and frequency analysed. Coding and content analysis were carried out using the online software Taguette (https://app.taguette.org/).

Results

I will first present the results of the quantitative content analysis. Figure 1 shows very clearly that the strategy type most frequently chosen by EU Member States is the comprehensive strategy form, which has in common a horizontal approach, with objectives, specific goals, vision, priorities and actions. Some also include priority sectors, but most are documents with a cross-sectoral approach.

Overarching strategy documents can be very different, in that there are documents that talk about the institutional framework, the funding sources, the conditions for successful implementation, the monitoring plan and even the action plan, but there are also documents that only mention some of these. The second most popular choice is the Integrated Strategy, which takes a holistic approach and focuses on principles, operational conditions, description of the regulatory system and mapping of stakeholders. There are also identified priorities, development directions and sector-specific elements.

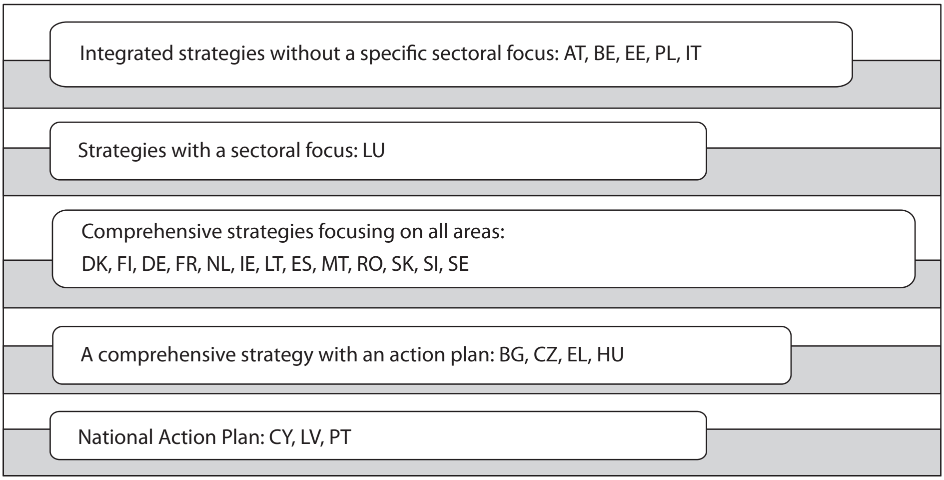

*Figure 1: CE strategies by type in EU Member States**

Source: compiled by the author based on national strategies.

** The author used the official abbreviations of the member countries.*

Table 1: Terms used in the CE national documents in the titles

Terms used in the name of the document…	**Country**	**Number of countries**
Roadmap (Roadmap)	FI, FR, DE, LT, PL, SI, SK	7 countries
Strategy (Strategy)	DK, EL, HU, IE, LU, SE, ES, RO	8 countries
National Strategic Framework (NSF)	IT, CZ	2 countries
National Action Plan (NAP)	BG, CY, LV, PT	4 countries
Towards circularity (Towards to circularity)	AT, BE, MT, NL	4 countries
White Paper (White Paper)	EE	1 country

Source: compiled by the author based on national strategies.

If we look at the terms chosen in the title of the strategy document (Table 1), we find that the terms strategy and roadmap top the ranking, but we also find the terms framework, action plan and white paper. It can be concluded that there is basically no correlation between the form of the strategy document and the term in the title, with the exception of the form of the action plan, which is also used in the name.

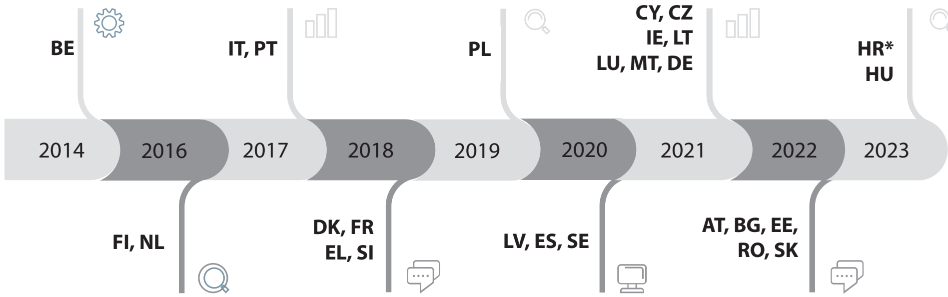

Figure 2: In which year was the EU Member State's CE strategy adopted?
Source: compiled by the author based on national strategies.
** Expected to be published in 2023.*

If we look at when the strategies of the member countries were drawn up, we can clearly see in Figure 2 that the period during which the circular strategies were drawn up covers a period of almost 10 years. This in fact also explains the differences in form and objectives. During this period, a number of new regulations and communications on the circular economy were published in the European Union. More than 20 documents were produced, including the EU Action Plan for the Circular Economy. This means that leading countries such as Belgium, the Netherlands and Finland published and adopted their first circular economy strategies before the majority of EU documents existed or before the first action plan was completed.[25] As a result, the strategies produced later are more complex, holistic and comprehensive than those adopted in the early period.

As far as the scope of the strategies is concerned, the table below shows (Table 2) that there is also a diversity in the scope of the strategies prepared, obviously depending on whether it is an integrated strategy or just a targeted action plan.

Table 2: Scope of CE strategies adopted by EU Member States

Length of strategy document (number of pages)	Countries
20–40	BE, CY, DK, EE, EL, PL, MT, SE
41–60	FI, FR, LV, IT, SI
61–80	BG, NL, LU, PT, RO, ES
81–100	AT, IE
101–200	DE, LT, SK, CZ
> 200	EN
n. d.	HR

Source: compiled by the author based on national strategies.

As regards the timeframe of the strategies, this also shows the diversity of the strategies, as they target a varied timeframe. Most countries have set 2030 as the target period in their strategy (9 countries: DK, EL, MT, IT, PT, RO, ES, SE, SI) and 2050 (6 countries: AT,

25 European Commission 2015.

BE, NL, LT, LU, DE). For the other countries, the target period varies widely, from 2023 to 2040. The table below (Table 3) summarises the categories for which I have carried out a qualitative analysis.

Table 3: Presence of selected categories in countries' CE strategies

Selected categories of analysis	How many countries' strategies	Countries
Vision	In every country's strategy	
Target	In every country's strategy	
Strategic goals/objectives	In every country's strategy	
Priority areas	19	BG, CZ, FI, FR, DE, EL, HU, IE, IT, LV, MT, NL, PL, PT, RO, ES, SK, SI, SE
Measures	In every country's strategy	
Highlighted sectors	15	AT, CY, CZ, DE, HU, IE, LT, LU, MT, NL, PT, RO, ES, SK, SE

Source: compiled by the author based on national strategies.

In the second part of the analysis, qualitative discourse analysis will provide insights into which countries consider which factors within the categories I have chosen to be important in the transition to a circular economy. For the 6 categories, I have tried to code them according to which factors appeared most often within each category. Firstly, the table below (Table 4) shows the visions set out in the CE strategies, for which I have not given codes, as I realised that in this case it is worth observing the terms used by each member country in particular.

Table 4: The vision of EU Member States in the CE strategies

AT	*Reforming* the Austrian economy
BE	Belgium wants to be one of the main European *pioneers* in developing a circular economy by 2030
BG	In Bulgaria will be a *green and competitive* economy, less waste and more resource- and consumer-friendly economy
CY	*Systemic change,* reform, recovery and stability in Cyprus
CZ	The circular economy brings significant environmental, economic and social benefits to the Czech Republic
DK	Danish becoming the *state of green*
EE	Estonia is a smart country leading in the transition to circular economy, aims to become a *competitive,* knowledge-based society and economy by 2050
ES	*Decarbonisation* in Spain
FI	Make Finland a *leader* in environmental performance and become a global circular economy leader by 2025
FR	*Successful transition* towards a circular economy in France
DE	In 2030, Germany will be on its way to a *prosperous* circular economy

EL	Qualitative leap in the Greece economy, which will be equivalent to a growth transformation
HU	By 2040, Hungary will become a more *competitive and sustainable* economy
IE	To become a circular economy *leader* among our European peers
IT	The transition to a circular economy requires *structural change*: rethinking the way we produce and consume, developing new business models and transformation
LV	Implementation and development of the circular economy in Latvia, creating a *competitive*, inclusive and sustainable national economy
LT	Think and go circular – the *industrial transformation* towards a circular economy
LU	Luxembourg will be the first circular country where *new business models,* based on the product-as-a-service principle, will become commonplace. All markets will be aligned to the circular economy
MT	The vision is to *divert economy from actual landfill practices*. Malta will be brought into line with the different waste, Framework Directive and other waste-related directives
NL	*Decoupling growth and material use* in the Netherlands and creating a system that in the sustainable extraction of raw materials and the preservation of natural capital is guaranteed
PL	Strategy for responsible development, to create conditions for the growth of income of the Polish population, while simultaneously increasing social, economic and territorial *cohesion*
PT	To *reorganise the economy* in a closed loop cycle, and to work towards 2050 objectives, such as a carbon neutral economy, innovation, resilience, and an inclusive society
RO	Romania's vision is to create a stable path to *prosperity* for society as a whole, ensuring economic growth and a sustainable environment for future generations
SK	By 2040, the Slovak Republic will have made *significant progress* in the transition to a circular economy and will have become a sustainable, *low-carbon economy*
SI	Slovenia's vision is to become a society that promotes *"quality of life for all"* by 2050 – in line with the Sustainable Development Goals
SE	To become a society in which *resources are used efficiently* in non-toxic circular flows, replacing virgin materials

Source: compiled by the author based on national strategies.

The majority of the visions expressed by member countries use a general but very catchy term that refers to the degree of progress in some form, such as: pioneering, leading, competitive, reform, successful transition, sustainability, green, stability, recovery, prosperous, qualitative transformation, structural change, cohesion. Among these, the most frequently used adjectives are competitive, in transition, stable and sustainable. In addition, some countries' strategies include specific action lines, such as waste management in Malta, new business models in Luxembourg, resource efficiency in the Netherlands and Sweden, and decarbonisation in Spain and Slovakia. Closely linked to this vision are the key objectives chosen by the Member States. The table below (Table 5) summarises the focus of the main objectives of the Member States. Most Member States have identified resource efficiency, but several countries focus on climate neutrality, environmental protection and extending product life. There are also countries with a focus on a number of areas, rather than a single area.

Table 5: The main objectives set by EU Member States in the CE strategies

Main objectives	Number of countries	Countries
Key objective focusing on resource efficiency	11	CY, FI, DE, HU, IE, LV, NL, PL, PT, RO, SK
A key objective focusing on climate neutrality	4	AT, EE, LT, SE
Main objective focusing on the environment	1	DK
Main objective focusing on extending the life of products	3	FR, MT, ES
The main objective focusing on creating more added value	1	BE
The main objective focusing on finding the right methods	1	LU
A key objective focusing on creating systemic change	1	SI
Formulation of a general, multi-faceted main objective	4	BG, CZ, EL, IT

Source: compiled by the author based on national strategies.

Although the majority of member countries' circular economy strategies focus on material use efficiency, research shows that it is not possible to approach efforts solely from a materials or product perspective.[26] There is a need to make progress holistically to minimise the risk of harmful or inappropriate action in any one area.

It is important to set out priority areas (Table 6) in a strategy in order to have a more transparent vision of priorities in the country. In total, 19 countries have a list of priority areas in their strategies. In these countries we find specific focus areas on a scale of 1 to 8. The most frequent focus areas are related to production, consumption, waste management, raw material use and food waste. But there are also countries where the focus areas are construction, mobility, plastics production, forest and water management, and last but not least the introduction of new business models. We will see these areas in the future, as they are in line with the measures set out.

Table 6: Priority areas chosen by EU countries in CE strategies

Priority areas	Number of countries
Better manufacturing and circular design	15
Better consumption and consumption	12
Waste management	10
Food system and bioeconomy	9
Circular use of raw materials	9

Source: compiled by the author based on national strategies.

26 Marsh et al. 2022.

Areas for action can be found in the strategies of all Member States. The most common areas of action are summarised in Figure 3. It can be seen that education, awareness-raising and information are the most frequent themes in the strategies, which suggests that providing information to the public at large is a priority for the majority of Member States. Further measures are in line with the priority areas, as measures relating to product manufacturing, raw material use and waste management also appear in many places. In addition, it is worth noting that circular public procurement is also included in the actions of quite a number of countries, and research and innovation and the involvement of governance and policies in the circular economy are more frequent measures. Measures also include new business models, the introduction of economic incentives, the development of a regulatory environment, and the introduction of extended producer responsibility.

As regards the priority sectors in the strategies, there is a sectoral focus in 15 Member States. Most of these are construction (14) and agriculture and food (13), which are also in line with the waste management and raw material use objectives of the measures and priorities, as both sectors focus on waste and food waste reduction targets. At the same time, the plastics and packaging industry, the manufacturing sector in general and the much-vaunted textile industry, where a shift towards slow fashion would be justified, are given priority in the sectoral focus.

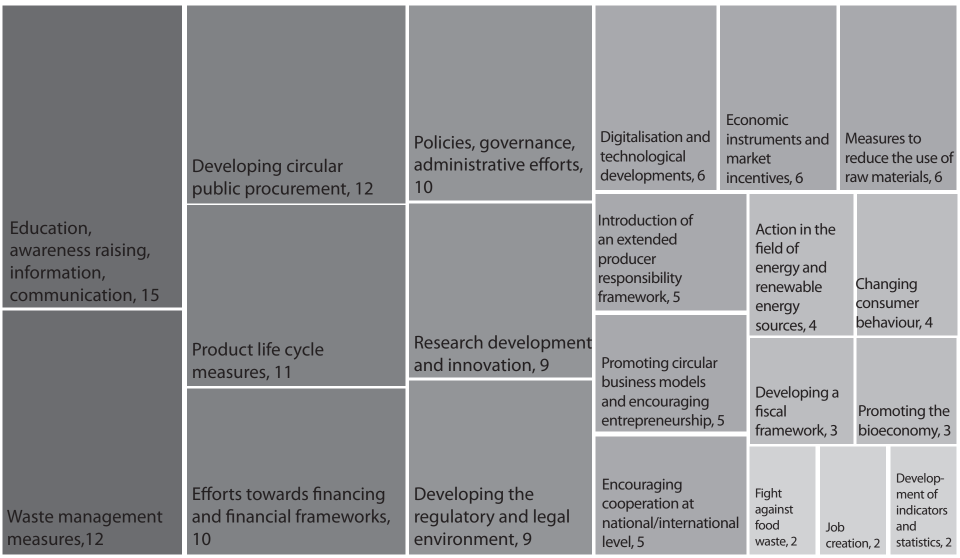

Figure 3: Areas of action chosen by EU Member States in the CE strategies

Source: compiled by the author based on national strategies.

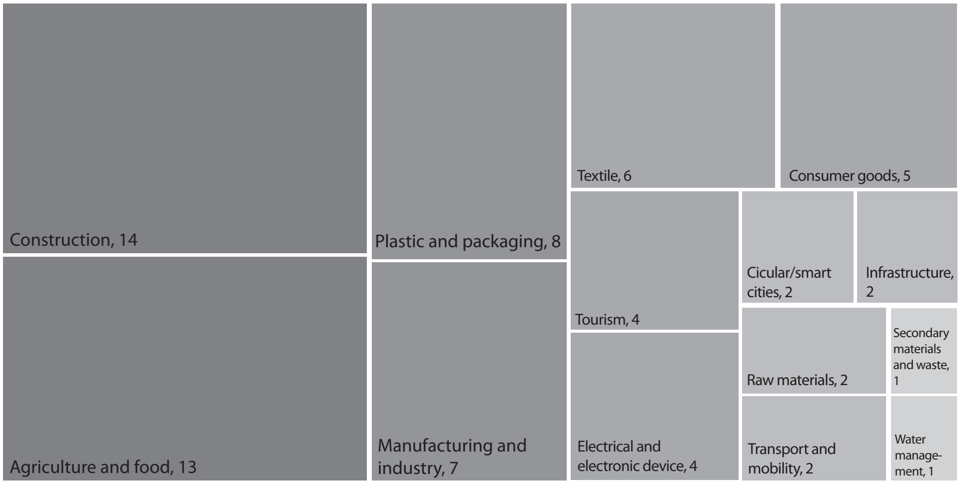

Figure 4: EU Member States' priority sectors in the CE strategies
Source: compiled by the author based on national strategies.

Conclusions

In the current economic context, the pressures on the environment, which are due to its size and structure, require policy cooperation at the government level in order to make progress on circularity.[27] If the promotion of CE is important for all EU countries, and this has been demonstrated through the development of strategies, there is a clear need for coordinated cooperation between policy makers and industry and for monitoring this through appropriate indicators (the use of statistical data together for comparability). The need for EU Member States to prepare a circular strategy is not an issue, but the way in which they do this work differs in many ways. Despite the fact that there are many differences in both form and ideas in the strategies analysed, it is clear that when it comes to specifics, the strategies have common elements. These are mainly found at the level of priority areas, measures and sectoral concepts. The differences are most noticeable in the formal aspects, i.e. in the horizontal or sector-specific vision of the transition process. The analysis carried out reveals that the period of preparation of the Member States' strategies covers almost 9 years, during which the EU as an organisation has issued numerous documents. It is likely that the older strategies will need to be updated in the near future and aligned with the EU monitoring framework and the latest EU Action Plan 2020. As we have seen, the strategies of the EU Member States, as well as the countries' profile, differ widely, but as we have seen, the main orientations, priority sectors and ambitions are converging. A further research question will be how similar aspirations can produce similar results.

[27] Mayer et al. 2019.

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Cohesion or Widening Disparities: R&D Performance vs. EU Funding of the Regions

This comprehensive analysis investigates the effectiveness of EU funding in promoting research and innovation across various regions, with a specific focus on the Horizon Europe Programme. In this study, we employed a mixed-quantitative analysis of funding allocation data sourced from the Horizon Europe Dashboard and the Global Innovation Index. We systematically analysed the distribution of Horizon Europe funds from 2021 to 2023 across all EU Member States and their respective NUTS 2 regions, focusing on per capita and per researcher fund allocation. Additionally, a comparative analysis was conducted to assess the alignment between fund distribution and innovation indicators such as R&D intensity and innovation outputs.

The study also critically examines the EU's cohesion policy, which is fundamentally designed to reduce regional disparities and promote equal opportunities across all EU regions. Through our analysis, we aim to assess whether the current implementation of the EU's financial instruments aligns with the overarching goals of cohesion policy, particularly in terms of fostering uniform economic growth and development. This examination is crucial as it highlights the need for the values of cohesion to be more effectively integrated into the criteria systems of directly managed EU funding programs to achieve its intended objectives of regional and territorial cohesion.

The study reveals persistent and widening disparities in the distribution of funds, which accentuate regional and national inequalities within the EU. Despite significant financial allocations aimed at fostering innovation, the evidence points to a concentrated benefit in specific regions, particularly those already developed, thereby raising concerns about the equitable promotion of technological advancement and economic growth across less developed areas. The findings underscore the need for a more balanced and strategic approach to funding that ensures all regions can contribute to and benefit from Europe's innovation landscape. This research contributes crucial insights into the complexities of funding allocation, the challenges of regional disparities, and the potential pathways towards a more inclusive innovation policy within the European Union.

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Keywords: EU funding, Horizon Europe, Cohesion Policy, disparities, NUTS 2, innovation

Introduction

In today's rapidly evolving world, technology and innovation serve as the twin engines propelling economies forward. Nations that prioritise investments in research, education and innovation infrastructure gain a competitive edge in the global marketplace. By fostering a culture of entrepreneurship and providing incentives for risk-taking and experimentation, governments can nurture vibrant ecosystems of startups and scale-ups, driving economic dynamism and attracting talent and capital from around the world. Super-developed Science & Technology regions were born in the recent decades, while others are lagging behind.

At the same time, the European Union is not a country like its competitors, the United States and China, and it is consisted of more than 27 different nations. Therefore, the European Union shall put a greater emphasis on cohesion and unity than an average country or a federal state, where choosing between competitiveness and cohesion is mainly a regional development issue. In case of the European Union: cohesion is an existential issue. If too many Member States and regions are detached too far from the most developed countries and regions, it has serious negative impact on the unity of the Union, which lashes back to the most developed countries as regions, since they can lose their less developed markets.

In case of research and development, there are widely used objective indicators, such as the number of researchers, number of patents, which show the capabilities of results of scientific communities. This paper presents that (1) the European Union is lagging behind China and the US, (2) despite of its efforts, it distributes Horizon funds extremely unevenly among the 27 Member States and the 250 NUTS 2 regions, (3) and the distribution is not in line with the widely used objective indicators such as the number of researchers or patents. We propose to put greater emphasis on cohesion in programs such as the R&D focused Horizon in the future in the interests of the single market.

Research and innovation landscape

Technology and innovation are indispensable drivers of economic growth in the 21st century, reshaping industries, transforming societies, and unlocking new opportunities for prosperity and progress. By embracing a culture of innovation, investing in human capital, and fostering an enabling policy environment, nations can harness the full potential of technological advancements to build inclusive, sustainable, and resilient economies for the benefit of all.

Unfortunately, it is an increasingly well-known fact that the European Union is falling further and further behind in global competition, particularly in the field of Science

& Technology (S&T). The world's five biggest S&T clusters are all located in East Asia.[4] Tokyo–Yokohama (Japan) has emerged as the largest global S&T cluster, closely followed by Shenzhen–Hong Kong–Guangzhou (China and Hong Kong, China), Seoul (Republic of Korea), China's Beijing and Shanghai–Suzhou clusters. This concentration of leading clusters in East Asia signifies the region's pivotal role in shaping the global S&T domain.

The Cambridge cluster (UK), San Jose – San Francisco, CA, USA), Oxford (UK), Eindhoven (Netherlands) and Boston–Cambridge (US) have the most intensive S&T activity, in proportion to population density in the Western World. In contrast, the European Union appears to be receding in the global S&T competition, as evidenced by the absence of any EU-based S&T clusters in the top ten, globally. This trend underscores a critical need for the EU to enhance its infrastructure and policy frameworks to foster a more robust S&T environment. Notably, China has overtaken the United States in the number of top 100 S&T clusters. The WIPO published Global Innovation Index (GII) identifies 24 S&T clusters in China, 21 in the US, and 9 in Germany, highlighting the shifting dynamics of global S&T leadership.[5]

S&T clusters located in other emerging economies besides China also show remarkable growth in their S&T output, notably in India, which has four top S&T clusters, with Chennai and Bengaluru experiencing the biggest increases in density of inventors and scientific authors. S&T clusters in certain emerging economies grew at a particularly fast pace, including Brazil, India, Türkiye and, beyond the top 100, in Argentina, Egypt, Thailand and others.[6]

Regarding the Global Innovation Index 2023 (GII) rank in the top 20 countries, seven EU Member States are found: Sweden, Finland, Netherlands, Germany, Denmark, France, Estonia and Austria. It is worth mentioning that this group is completed by five non-EU members: Switzerland, United Kingdom, Israel, Norway, and Iceland, who are part of the Horizon program.

Table 1: TOP 20 innovative countries based on the Global Innovation Index 2023

GII rank	Country	GII rank	Country
1	Switzerland	**11**	**France**
2	**Sweden**	12	China
3	United States	13	Japan
4	United Kingdom	14	Israel
5	Singapore	15	Canada
6	**Finland**	**16**	**Estonia**
7	**Netherlands**	17	Hong Kong, China
8	**Germany**	**18**	**Austria**
9	**Denmark**	19	Norway
10	Republic of Korea	20	Iceland

Source: compiled by the authors based on data of the Global Innovation Index 2023 rankings.

4 Dutta et al. 2023a.
5 Dutta et al. 2023b.
6 Dutta et al. 2023c.

Within the EU, the Nordic countries are the leading ones: Sweden, Finland and Estonia. Notably, Estonia stands out among other former communist EU Member States, being the only one in the top 20, which illustrates the disparate progress in embracing innovation and technology after transitioning from communist regimes. Other former communist EU Member States are only in the top 40: the Czech Republic (31), Slovenia (33), Lithuania (34), Hungary (35), Latvia (37) and Bulgaria (38).

The data presented offer a detailed insight into the current landscape of global Science & Technology (S&T) clusters, emphasising the geographical distribution of innovation and the varying levels of competitive performance among regions.

This complex and evolving picture underscores the importance of strategic policy interventions and investments in S&T to ensure competitive parity on the global stage. As such, these insights could significantly inform policy-making aimed at enhancing national and regional innovation systems, fostering economic growth, and maintaining global competitiveness in the rapidly advancing field of science and technology.

Regional innovation disparities and cohesion policy

Referring to the theory of the "Blue Banana"[7] of the broken corridor of urbanisation in Western and Central Europe, it may be interesting to see how the distribution of innovation centres in the European Union is shaped. We see that the depth and nature of economic disparities was already complex in the 1990s. On the one hand, for geographical and historical reasons, some regions have experienced strong industrialisation and growth, while others are lagging behind. On the other hand, policy decisions and economic strategies contribute to maintaining or reducing disparities.[8] The term "Blue Banana", coined by French geographers, represented a region at the economic and demographic heart (or elsewhere the backbone) of Europe, often seen as the axis of economic success. Used as a similar metaphor, but with a different meaning, the "European bunch of grapes"[9] conjures up an image of a more evenly developed Europe along polycentric circles.[10] The European S&T environment presented above is closer to the cluster approach.

The issue of regional disparities is a major challenge in the European Union, where economic, social and infrastructural inequalities between different Member States and regions remain significant. According to the latest European Innovation Scoreboard, there are significant differences in innovation performance between Member States, reflected in differences in GDP per capita, employment rates and quality of life indices.[11] In addition to economic disparities, social and infrastructural inequalities also hamper cohesion between regions. The spatial distribution of educational opportunities and access to healthcare is also unequal, exacerbating social exclusion.[12]

7 Hospers 2003.
8 Rodríguez-Pose 2018.
9 Kunzmann–Wegener 1991.
10 Kunzmann–Wegener 1991.
11 European Commission Directorate-General for Research and Innovation 2023.
12 Becker et al. 2010.

The European Union has already taken a number of measures to reduce regional disparities. A landmark 1992 Maastricht Treaty required the Council of the European Union to set up a Cohesion Fund to provide financial support for environmental, energy, telecommunications and transport infrastructure projects. The regulation, which set the criteria, looked at per capita gross national income and gave preference to those with a GDP below 90% of the EU average, so aid was given to Greece, Ireland, Spain and Portugal, which at the time had a GDP below 90% of the EU average.

The Treaty brought the first cohesion policy reform, giving national governments more flexibility. It firmly enshrined economic and social cohesion among the fundamental objectives of the European Union, alongside the internal market and Economic and Monetary Union. The Delors II package, adopted by the Edinburgh European Council in December 1992, doubled the financial resources devoted to cohesion policy from 1994 to 1999, with the result that the policy accounted for one third of the EU budget, as it does today. Cohesion policy and the Structural Funds aim to help less developed regions to catch up economically.[13] However, critics argue that these measures do not always have the desired effect and are not always targeted at the regions most in need.[14]

Efforts to address these challenges include regional innovation strategies that build on unique regional resources and competences and contribute to the diversification of local economies. One such innovation strategy is smart specialisation, which encourages regions and countries to identify and develop their own competitive advantages and areas of specialisation by focusing resources on the most promising growth opportunities. It aims to foster knowledge-based economic growth by promoting innovation and resource efficiency by aligning research and innovation efforts with regional and national economic development strategies.[15]

While innovation can drive regional development, there are also challenges associated with the disparities. One challenge is access to capital, as many startups and small businesses struggle to secure the funding they need to grow and expand. Another challenge is access to talent, as many local economies struggle to attract and retain skilled workers.

The EU faces significant regional disparities, with certain regions experiencing acute demographic changes, notably a rapid decline in the working-age population and a stagnation or decline in the number of people with tertiary education. These issues are compounded in regions that also see a significant departure of young people, which, if unaddressed, can lead to growing territorial disparities, undermining the EU's resilience and competitiveness. This demographic challenge is occurring in a global context where the competition for talent is intense, further exacerbated by other structural transformations like the transition to a climate-neutral economy and technological change.

Innovation hubs play a crucial role in addressing these disparities by fostering regional development. They act as dynamic centres that harness and nurture local talents, enhancing economic diversification and innovation capacity, leading to create sustainable, competitive, and knowledge-based economies. Specifically, the EU

13 McCann–Varga 2015.
14 Laguna 2024.
15 Rusu 2013.

emphasises the importance of leveraging regional assets such as universities, vocational education and training (VET) institutions, and small business clusters to support long-term regional development. The implementation of smart specialisation strategies and the mobilisation of national and regional levels are critical to revitalising these regions, making them attractive for living, working, and investing.

Furthermore, targeted measures outlined by the EU, including the promotion, retention, and attraction of talent, are essential for transforming all regions into dynamic talent-driven locations. The success of these measures depends on the collaboration of the national and regional levels, focusing on innovation and education as pivotal elements for regional attractiveness and development.[16]

A supportive regulatory environment, infrastructure and policies are also needed to promote entrepreneurship and innovation. Overcoming these challenges requires a collaborative effort between businesses, government, academic institutions and local communities.

Regional disparities are a major obstacle to EU integration efforts and economic growth. While many of the EU's initiatives represent significant progress, the critics and current achievements highlight the need for further action. For the EU to be successful in the long term, it needs to adopt a strategic and targeted approach that delivers real help to lagging regions.

EU measures supporting innovation

Mission of the Horizon Europe Programme

In addition to the cohesive measures discussed in the previous chapter, the European Union's Horizon Europe Programme stands as a flagship initiative dedicated to promoting research, innovation, and technological advancement across the Union. Central to its mission, Horizon Europe strives to catalyse scientific excellence and tackle societal challenges by fostering collaborative research and innovation endeavours. The program aims to propel the frontiers of scientific knowledge and technological innovation by funding cutting-edge research and collaborative projects. These projects bring together researchers, academics and industry partners from across Europe and beyond, thereby promoting interdisciplinary collaboration and facilitating the exchange of ideas and expertise.

Horizon Europe is structured to directly confront key societal challenges, including climate change, energy transition, digital transformation, health and well-being and the building of inclusive societies. It addresses these issues through targeted funding schemes and initiatives that aim to develop innovative solutions contributing to sustainable development, economic growth, and social cohesion. By doing so, the program seeks to make tangible impacts that resonate across societal dimensions.

16 European Commission 2023.

Moreover, Horizon Europe is committed to driving innovation and enhancing competitiveness within the European context. The program supports the development and commercialisation of breakthrough technologies, products and services. It invests in research-driven innovation, technology transfer and entrepreneurship, enhancing Europe's competitive stance in the global marketplace. This investment is expected to create new opportunities for economic growth and job creation, thereby reinforcing the European innovation ecosystem.

Furthermore, Horizon Europe places a strong emphasis on promoting international collaboration. The program actively engages with research and innovation stakeholders worldwide through joint research projects, mobility schemes, and partnerships with non-EU countries. This international engagement facilitates the exchange of knowledge, talent and best practices, which is pivotal in strengthening Europe's position as a global leader in research and innovation.

Overall, the mission of the Horizon programme is to drive scientific excellence, address societal challenges, drive innovation and competitiveness and promote international collaboration to build a more prosperous, sustainable and inclusive future for Europe and the world.

Considering that Horizon Europe is the leading innovation and research programme of the EU, represents the largest directly managed EU funding initiative with its €95,5 billion for this programming period (2020–2027), we are analysing the 2023 data on participation by EU Member States in Horizon Europe. This analysis is conducted to identify regional disparities in science and innovation funding within the European Union.

Widening participation and spreading excellence

The Widening sub-program of Horizon Europe acknowledges the uneven development of research and innovation ecosystems across the European Union. While some regions boast advanced infrastructures and robust investment in research and development (R&D), others are constrained by limitations such as inadequate research facilities, insufficient R&D funding, and a scarcity of skilled personnel. These disparities can impede their full participation in European research and innovation initiatives and limit their access to EU funding opportunities. The sub-program aims to mitigate these regional imbalances by enhancing participation and fostering excellence in research and innovation across diverse EU regions.

From the total budget of €95.5 billion allocated to Horizon Europe for the period 2021–2027, slightly less than €3.4 billion – equating to 3.5% of the total program budget – is dedicated to the Widening sub-program. This allocation underscores the EU's commitment to addressing disparities in research and innovation performance within its borders.

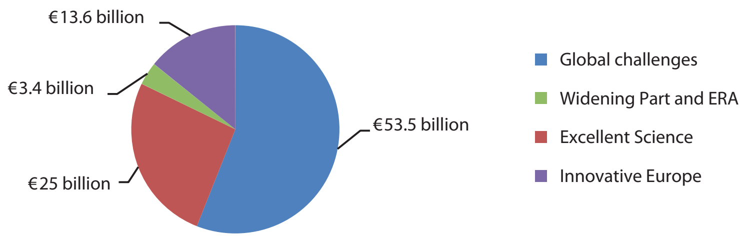

Figure 1: Horizon Europe Budget distribution in the 2021–2027 Programming Period in billion € (total: €95.5 billion)

Source: European Commission

Tables 2 and 3 show that, in Hungary, the proportion of selected (retained) to eligible proposals under the Horizon program over the past three years stands at 22%. For the Widera Calls, also spanning the last three years and funded by the Widening sub-program – designed specifically to enhance participation of widening countries in the Horizon program – the selection rate of proposals in Hungary is marginally higher at 24%. This increase suggests that there is no significant difference in success rates within the context of the Widening sub-program. Consequently, it can be inferred that the Widening sub-program not only allocates a modest budget, representing merely 3.5% of the total Horizon funds, but also that its implementation has fallen short of achieving its intended objectives.

Table 2: Hungary's results in Horizon between 2021 and 2023

Call Deadline Year	Eligible Proposals	Selected Proposals	Selected Proposals (%)	Non-Successful Eligible Proposals
2021	576	125	22	451
2022	831	169	20	662
2023	405	110	27	295
TOTAL	**1 812**	**404**	**22**	**1 408**

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

Table 3: Hungary's results in Widera between 2021 and 2023

Call Deadline Year	Eligible Proposals	Successful Proposals	Selected Proposals (%)	Non-Successful Eligible Proposals
WIDERA 2021	24	6	25	18
WIDERA 2022	50	10	20	40
WIDERA 2023	17	6	35	11
TOTAL	**91**	**22**	**24**	**69**

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

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Regional innovation gap

Distribution of Horizon grants among EU Member States

On the basis of the above facts and mission of EU's Horizon program, it is worth examining the distribution of Horizon grants among the EU Member States. All data of Horizon grants were taken from the Horizon Dashboard, which was updated on 20 December 2023 by RTD.

Table 4: Distribution of Horizon grants among EU Member States in 2023

Country	Net EU contribution of the EU27 (%)	Member States' rank in net EU contribution	Net EU contribution (€)	SME Net EU contribution (€)	Total cost (€)
Germany	17.51	1	4 614 563 346	589 735 444	5 486 496 461
France	12.28	2	3 234 591 959	556 438 526	4 449 188 229
Spain	11.82	3	3 113 675 336	680 812 548	3 672 176 087
Netherlands	10.08	4	2 656 335 475	471 344 035	3 267 145 924
Italy	9.54	5	2 513 506 855	394 400 140	3 166 860 514
Belgium	7.60	6	2 002 648 153	364 669 157	2 444 314 766
Greece	4.33	7	1 141 638 828	277 706 892	1 273 181 046
Sweden	3.68	8	970 490 665	149 754 892	1 280 194 801
Austria	3.53	9	929 360 151	148 148 910	1 156 141 632
Finland	3.17	10	836 216 309	121 409 696	974 216 077
Denmark	3.15	11	831 127 441	118 989 150	998 218 822
Portugal	2.49	12	656 759 686	154 121 157	739 021 162
Ireland	2.39	13	628 596 793	184 138 473	714 471 061
Poland	1.53	14	402 718 629	92 490 035	497 438 785
Czechia	1.27	15	335 064 765	38 974 218	407 983 161
Slovenia	0.92	16	242 980 161	35 372 908	504 334 201
Cyprus	0.74	17	196 201 649	87 203 642	224 130 440
Romania	0.73	18	192 100 915	39 769 810	241 679 857
Estonia	0.60	19	157 741 308	46 011 838	181 374 499
Luxembourg	0.52	20	138 104 000	21 505 593	200 109 226
Hungary	**0.49**	**21**	**128 155 758**	**36 213 816**	**151 452 307**
Lithuania	0.38	22	€ 99 717 969	31 547 646	117 294 464
Bulgaria	0.35	23	€ 92 761 541	32 953 140	112 065 977
Croatia	0.29	24	76 222 144	17 207 447	158 790 229
Slovakia	0.24	25	62 083 592	12 594 055	73 320 199
Latvia	0.22	26	56 858 753	8 472 387	74 494 519
Malta	0.14	27	36 417 182	10 611 780	46 012 367
TOTAL EU27	**100.00**		**26 346 639 362**	**4 722 597 334**	**32 612 106 814**
TOTAL EU14	**92.10**		**24 267 614 997**	**4 233 174 612**	**29 821 735 809**
TOTAL EU13	**7.89**		**2 079 024 365**	**489 422 723**	**2 790 371 005**

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

The Horizon Europe, established to enhance research and innovation across the European Union, has exhibited significant disparities in fund distribution among Member States, as highlighted by the Horizon Dashboard over the program's initial three-year phase from 2021 to 2023.

Contrary to the mission and aims of the Horizon program and its Widening subprogram, a striking imbalance is evident in the allocation of funds, where only a small fraction, 7.89%, was awarded to the 13 countries that joined the EU after 2004 (EU13). This is in stark contrast to the older Member States (EU14), which secured 92.10% of the total funding, despite EU13 countries comprising 23% of the EU's population. Such a distribution pattern underscores potential inefficiencies in the strategic intent of the Widening initiative, which aims to integrate newer Member States more fully into the European research landscape.

The World Intellectual Property Organization on the Global Innovation Index (GII) 2023 was discussed in the first chapter, where further analysis of Spain's innovation position shows that the country is ranked 17th in the EU and 29th globally, meanwhile Spain is emerged as the third largest beneficiary of the Horizon program. This outcome is notable, as Spain received almost the same level of funding as France. However, the contribution from Spanish entities amounted to only €558 million of their own resources against the €3.1 billion received from the EU, a ratio significantly lower than that of French entities, who received over €1.2 billion to their €3.2 billion from EU funds.

Additionally, Greece, with its relatively modest R&D intensity ranking of 15th in the EU and 42nd on the GII 2023, surprisingly became the 8th largest beneficiary by receiving €1.1 billion in EU funding, while contributing only €131 million in own resources. Notably, Greece received more Horizon funds than Sweden and Austria, countries with similar populations but higher rankings in R&D intensity. This disproportionate allocation highlights further discrepancies, as Greece with its 10.3 million inhabitants alone received more than half of the total funds allocated to the entire EU13 bloc, which has a combined population of 101 million.

Hungary's experience within the Horizon framework further illustrates these disparities as it is seen in Table 5. With a receipt of €128 million, Hungary ranked 21st in fund allocation among EU countries, representing a mere 0.49% of the total Horizon funds. This figure is indicative of the challenges faced by smaller EU states in accessing competitive research funding.

Table 5: Distribution of researchers within Member States compared by NET EU contribution from Horizon Europe Programme

Country	Researcher's ratio– Researchers (FTE) per million of population	Top cited publications rate (%)	Patent applications rate	R&D Intensity (%)	R&D Intensity Ranking	Net EU contribution per capita (€)	Net EU contribution per researcher (€)
Austria	6 131	10.6	2.8	3.19	3	102	16 648
Belgium	6 569	12.1	2.4	3.22	2	170	25 938
Bulgaria	2 373	1.8	2.0	0.77	24	14	6 062

Country	Researcher's ratio– Researchers (FTE) per million of population	Top cited publi-cations rate (%)	Patent appli-cations rate	R&D Intensity (%)	R&D Intensity Ranking	Net EU contribu-tion per capita (€)	Net EU contribu-tion per researcher (€)
Croatia	2 462	3.4	1.8	1.24	18	20	8 040
Cyprus	1 796	7.9	1.3	0.87	23	213	118 642
Czechia	4 572	4.3	1.3	1.77	10	31	6 769
Denmark	7 665	14.0	3.0	2.81	6	140	18 278
Estonia	4 032	8.3	2.2	1.75	11	115	28 641
Finland	7 850	12.2	3.9	2.99	5	150	19 145
France	5 009	8.7	2.9	2.21	8	48	9 486
Germany	5 533	10.4	3.3	3.13	4	55	9 887
Greece	4 237	8.6	2.1	1.45	15	110	25 924
Hungary	**4 471**	**5.8**	**2.6**	**1.65**	**13**	**13**	**2 986**
Ireland	4 544	11.4	0.9	1.06	20	121	26 633
Italy	2 926	10.8	2.5	1.48	14	43	14 597
Latvia	2 413	2.2	2.1	0.69	25	30	12 514
Lithuania	3 926	5.0	1.3	1.11	19	35	8 889
Luxembourg	4 967	14.2	0.8	1.02	21	209	42 072
Malta	2 040	4.4	1.8	0.64	26	67	32 927
Netherlands	6 030	15.3	2.7	2.25	7	149	24 734
Poland	3 603	4.3	1.5	1.44	16	11	3 042
Portugal	5 445	8.9	2.1	1.68	12	63	11 524
Romania	1 004	4.9	1.0	0.47	27	10	10 046
Slovakia	3 224	3.8	1.7	0.93	22	11	3 548
Slovenia	5 254	7.3	2.3	2.14	9	115	21 848
Spain	3 249	8.9	2.2	1.43	17	65	19 939
Sweden	9 573	12.7	3.7	3.35	1	92	9 635
TOTAL EU27	**4 639**	**11.1**	**3.3**	**2.30**	**–**	**59**	**12 667**

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

When examining the Horizon Europe Programme's funding distribution on a per capita and per researcher basis between 2021 and 2023, significant disparities reveal across the European Union. The data provides insights into the allocation efficiency and highlights notable differences in funding received by Member States. The average European Union contribution per capita across all 27 Member States (EU27) stands at €59. A closer look at the distribution shows a division between the older Member States (EU14), where the average contribution per capita is €70, and the newer Member States (EU13), with a considerably lower average of €20.

Cyprus, Luxembourg and Belgium exhibit the highest EU contributions per capita, receiving €213, €209, and €170 respectively. These figures suggest that smaller, high-income countries might be leveraging their existing research infrastructures and networks more effectively within the framework of Horizon Europe.

Conversely, several of the newer EU members such as Romania, Slovakia, Poland, Hungary and Bulgaria receive the least funding per capita, with contributions ranging from €10 to €14. In addition, Estonia and Slovenia stand out as positive anomalies among the former Eastern Bloc countries, achieving per capita funding of €115, placing them alongside the frontrunners in funding allocation. This indicates that both countries may have successfully aligned their research strategies with Horizon's funding priorities, achieving results disproportionate to their size.

In contrast, Greece's per capita receipt of €110 is notable, especially given that the country's research and development indicators, such as the researcher ratio, top cited publication rate, patent application rate and overall R&D intensity do not typically align with such a high level of funding. This anomaly in funding allocation raises questions about the factors influencing Greece's successful funding rate.

Hungary's scenario reveals further disparities when considering funding per researcher. The country receives €2,986 per researcher, merely 23.58% of the EU27 average of €12,667. Despite Hungary's researcher's ratio is close to the EU average and ranked to the 13th place on the EU's R&D Intensity Ranking, the low funding per researcher emphasises the challenges faced by some Member States in leveraging Horizon Europe funds effectively.

These findings illustrate the complexities and challenges within the Horizon Europe funding distribution mechanisms, and raise questions about the equity and strategic focus of the Programme. The significant variances in per capita and per researcher funding across different EU Member States suggest a need for a reassessment of the distribution criteria to ensure a more equitable and effective allocation of resources that aligns with the overarching objectives of the Horizon Europe.

Criticism of EU funding decisions

Previous chapters have illustrated the innovation capabilities of individual EU Member States in a global context, as well as the distribution of the largest directly managed EU funding source for innovation and research, Horizon Europe, among the Member States during the current programming period. The study has attempted to highlight the disparities in resource allocation among them, especially when normalising the allocation of funds relative to the level of innovation capability as indicated by the Global Innovation Index (GII). This chapter shifts the focus to smaller units, examining the distribution of support among NUTS 2 regions.

Distribution of Horizon grants among the NUTS 2 regions

NUTS 2 regions refer to the second level of the Nomenclature of Territorial Units for Statistics, a hierarchical system developed by the European Union to facilitate the collection, development and harmonisation of EU regional statistics. Structured under the broader NUTS framework, which is crucial for the implementation of regional policies and the distribution of structural funds, NUTS 2 regions typically represent basic regions for the application of regional policies. These regions are pivotal for statistical analysis and policy application, serving as essential units in the assessment of socio-economic indicators across the EU. The delineation of NUTS 2 regions is primarily based on administrative boundaries and socio-economic characteristics, ensuring a relatively homogenous composition in terms of economic development and population density.

At the same time, referring to the table in Annex 1, many Western European Regions are in the second half of the 250 NUTS 2 Regions: Waser-Ems 129th, Unterfranken 130th, Oberfranken 166th, Lüneburg 179th, Kassel 181st, Niederbayern 191st, Koblenz 203rd, Trier 226th (Germany), Marche 131st, Bolzano 133th, Umbria 156th, Calabria 193rd (Italy), Kärnten 135th, Salzburg 161st, Burgenland 213th (Austria) Prov. Hainaut 137th, Prov. Namur 140th (Belgium), Picardie 155th, Haute-Normandie 159th, Lorraine 162nd, Franche-Comté 167th, Auvergne 176th, Pitou-Charentes 182nd, Basse-Normandie 192nd, Bourgogne 200th, Limousine 202nd, Champagne-Ardenne 209th (France). The disparities in resource allocation among the 250 NUTS 2 regions across the European Union reflect a broader pattern of uneven development similar to that observed among the 27 EU Member States.

Despite the structured design to ensure homogeneity in economic development and population density within these regions, the distribution of Horizon Europe funds from 2021 to 2023 demonstrates significant imbalances. Data shows that the top 20 of the 250 NUTS 2 regions received 51% of Horizon Europe resources, whereas the remaining 230 regions only received 49%. This distribution indicates a concentration of funding in a small subset of regions, which may exacerbate regional disparities in innovation and research capacity.

Interestingly, the distribution also highlights a geographical dimension to the disparities. The first NUTS 2 region from the newer EU Member States (EU13) is Slovenia, ranked 34th, followed by Warsaw. Meanwhile, Budapest is positioned as the 69th NUTS 2 region in terms of funding receipt. This suggests that newer EU Member States are generally receiving less funding compared to their counterparts.

Moreover, many Western European regions are positioned in the lower half of the 250 NUTS 2 regions in terms of funding allocation. This unexpected ranking of some Western European regions could indicate a complex interplay of factors influencing funding allocation that goes beyond simple geographic or economic considerations.

These findings suggest that while the NUTS 2 regions are designed to streamline and harmonise the statistical and administrative application of EU policies, the actual distribution of funds such as those from Horizon Europe are not effectively targeting regional disparities. This could potentially lead to increased economic divergence between regions, undermining the EU's objective of socio-economic cohesion. Thus, it is essential for policy adjustments to more equitably distribute resources and address the underlying factors contributing to these disparities.

Disparities within Member State level

Beyond the comparative analysis of NUTS 2 regions, this chapter extends its focus to examine the internal disparities within Austria, Hungary and Greece. The study aims to highlight the developmental differences within these Member States by analysing the data on Horizon Europe fund allocations. This investigation is conducted to underscore the existence of regional disparities not only at the EU level but also within individual Member States, emphasising the complex layering of regional development that influences the distribution and utilisation of EU funds. The analysis seeks to illustrate how regional inequalities affect the overall cohesion and economic development of Member States, potentially influencing their capacity to fully leverage the opportunities presented by EU funding mechanisms like Horizon Europe.

The selection of the three countries is justified by the study's intent to centre on Hungary, while also examining the regional disparities in Austria, which shows better performance in innovation capabilities, and the resource allocation differences in Greece, particularly due to the unexpectedly high ranking of the Athens region in Horizon Fund allocations discussed in the previous chapter. This approach is taken to investigate whether the uniformity of fund allocation is dependent on the level of development within these three Member States. The analysis aims to explore the intricate relationship between regional developmental stages and the equitable distribution of EU funds, thus providing deeper insights into the factors that influence funding outcomes across different regions within the Member States.

Table 6: Austria's regions Horizon Europe fund allocation

NUTS 2 Name	Rank in net EU contribution	Net EU contribution (€)	SME Net EU contribution (€)	Total cost (€)
Wien	**16**	**483 393 600**	**54 575 209**	**610 337 726**
Steiermark	38	187 861 364	41 684 822	228 363 165
Niederösterreich	63	108 557 595	21 592 745	122 407 460
Tirol	101	53 770 646	16 536 705	64 539 522
Oberösterreich	104	50 745 489	8 503 298	58 380 057
Kärnten	135	25 032 904	3 616 256	50 130 184
Salzburg	161	15 096 191	1 488 359	16 392 700
Burgenland	213	2 920 593	64 641	3 455 808
Vorarlberg	222	1 981 769	86 875	2 135 010
Austria	**9**	**929 360 151**	**148 148 910**	**1 156 141 632**

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

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Table 7: Hungary's regions Horizon Europe fund allocation

NUTS 2 Name	Rank in net EU contribution	Net EU contribution (€)	SME net EU contribution (€)	Total cost (€)
Budapest	**69**	**100 373 813**	**25 597 394**	**121 205 917**
Dél-Alföld	171	11 898 427	6 501 440	12 803 127
Dél-Dunántúl	205	4 483 203	1 138 974	5 019 945
Nyugat-Dunántúl	206	3 955 296	265 650	4 835 575
Pest	218	2 435 497	1 511 629	2 568 846
Közép-Dunántúl	221	1 987 791	1 101 094	1 987 791
Észak-Magyarország	227	1 522 238	0	1 522 238
Észak-Alföld	229	1 499 494	97 635	1 508 869
Hungary	**21**	**128 155 758**	**36 213 816**	**151 452 307**

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

Table 8: Greece's regions Horizon Europe fund allocation

NUTS 2 Name	Rank in net EU contribution	Net EU contribution (€)	SME net EU contribution (€)	Total cost (€)
Αττική (Attiki)	**8**	**650 757 188**	**188 988 639**	**746 664 899**
Κεντρική Μακεδονία (Kentriki Makedonia)	26	242 494 461	43 838 002	265 621 676
Κρήτη (Kriti)	57	115 487 346	11 440 237	120 388 663
Δυτική Ελλάδα (Dytiki Ellada)	94	59 268 246	11 087 805	61 844 041
Στερεά Ελλάδα (Sterea Ellada)	145	20 423 943	8 423 618	22 430 948
Θεσσαλία (Thessalia)	150	19 228 818	3 212 986	20 156 255
Δυτική Μακεδονία (Dytiki Makedonia)	177	9 550 136	6 486 976	10 338 649
Ήπειρος (Ipeiros)	184	7 732 239	1 738 962	8 039 365
Βόρειο Αιγαίο (Voreio Aigaio)	194	6 349 912	379 375	6 349 912
Ανατολική Μακεδονία, Θράκη (Anatoliki Makedonia, Thraki)	195	6 300 108	406 600	7 045 499
Πελοπόννησος (Peloponnisos)	220	2 339 929	725 813	2 399 072
Ιόνια Νησιά (Ionia Nisia)	233	858 913	565 413	914 938
Νότιο Αιγαίο (Notio Aigaio)	236	760 716	325 591	900 255
–	248	86 875	86 875	86 875
Greece	**7**	**1 141 638 828**	**277 706 892**	**1 273 181 046**

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

This analysis highlighted striking contrasts in how funds are allocated within these countries, revealing a significant concentration of resources in specific metropolitan areas.

In Austria, the Wien (Vienna) region alone receives 52% of the country's total Horizon Europe funds. This substantial allocation to the capital region underscores the centralisation of research and innovation activities, potentially overshadowing other regions within Austria. The heavy investment in Vienna reflects its status as an innovation hub but raises questions about the equitable distribution of opportunities across the entire nation.

Hungary presents an even more pronounced example of centralised funding, with Budapest receiving a staggering 78% of the nation's Horizon funds. This figure is not only indicative of Budapest's dominant role in Hungary's innovation landscape but also highlights the stark disparities between the capital and other regions. Comparatively, Hungary receives only 11% of the Horizon funds that Austria does, illustrating significant differences in overall national funding levels. Remarkably, Vienna alone secures five times more funding than all of Hungary, emphasising the immense gap in resource allocation between these neighbouring countries.

In Greece, the situation mirrors those of Austria and Hungary, with a high concentration of funds in the Attiki region, where Athens is located. Attiki secures 57% of Greece's Horizon funds, an amount that is more than five times larger than the total funds won by Hungary from the same program. This disparity not only highlights Athens' central role in Greek scientific and research activities but also points to a potential underutilisation of capabilities in other Greek regions.

These examples illustrate the challenges of achieving regional equity in fund allocation within the European Union. The concentration of Horizon Europe funds in capital regions like Vienna, Budapest, and Athens suggests a pattern where major urban centres attract a disproportionate share of resources, potentially at the expense of broader geographical equity. This centralisation might stifle innovation potential in less funded regions, thereby exacerbating regional developmental discrepancies.

The findings suggest that the uniformity of fund allocation is indeed influenced by the level of regional development, with more developed and centrally located regions receiving greater shares of funding. This pattern raises important questions about the objectives of EU funding mechanisms like Horizon Europe, which are intended to foster widespread innovation and economic development across all regions. The current distribution model may need reevaluation to ensure a more balanced growth and the full leveraging of potential across all areas, not just those that are already well-established centres of innovation and research.

Conclusion

In today's rapidly evolving world, technology and innovation serve as the primary drivers of economic growth. Nations that invest in research, education and innovation infrastructure gain a competitive edge in the global marketplace. By fostering a culture of entrepreneurship and encouraging risk-taking and experimentation, governments can create dynamic ecosystems of startups and scale-ups, driving economic dynamism and attracting global talent and capital. While some regions have become super-developed Science & Technology (S&T) hubs, others lag behind.

The European Union faces unique challenges compared to the United States and China. Consisting of 27 different countries, the EU must emphasise cohesion, since significant disparities between Member States can negatively impact the Union's unity, potentially affecting its most developed regions by weakening its common market.

Despite efforts, the EU is falling behind China and the US in S&T capabilities. Measured by widely recognised indices and statistical data, the distribution of Horizon funds, the EU's primary R&D funding program, is uneven among Member States and regions, not aligning with objective indicators like the number of researchers and patents. The widening disparities among the 27 Member States and the 250 regions of the EU in Horizon, their ability to win Horizon funds have a significant impact on their economic competitiveness, growth, employment and quality of life. The widening disparities in winning Horizon are far not just about the distribution of the €95.5 billion amount. It has a long term economic, social and environmental impact, which has an adverse effect on the cohesion goals of the EU.

The paper revealed, that the values of cohesion policy must be integrated into the criteria systems of directly managed EU funded programs. This is necessary not only in regard to the funds currently available but also as part of a long-term strategic programming in which every EU financial decision undergoes a cohesion test.

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Annex 1

Rank	Country	NUTS 2 name	Signed grants	Net EU contribution (%)	Net EU contribution (€)	Total cost (€)
1	France	Ile-de-France	2 313	8.35	2 199 943 432	2 983 435 822
2	Germany	Oberbayern	1 252	4.33	1 139 509 243	1 365 382 944
3	Spain	Cataluña	1 337	3.85	1 015 225 796	1 109 399 959
4	Spain	Comunidad de Madrid	1 323	3.00	789 890 086	1 043 446 850
5	Belgium	Région de Bruxelles-Capitale	1 240	2.92	769 791 056	1 003 831 678
6	Netherlands	Zuid-Holland	968	2.76	726 991 369	916 096 343
7	Netherlands	Noord-Holland	716	2.52	664 626 246	760 593 836
8	Greece	Αττική (Attiki)	1 012	2.47	650 757 188	746 664 899
9	Italy	Lazio	1 111	2.27	597 556 002	912 306 433
10	Belgium	Prov. Vlaams-Brabant	617	2.10	552 395 750	649 479 215
11	Denmark	Hovedstaden	803	2.06	542 681 122	675 899 512
12	Germany	Köln	702	1.95	513 928 392	632 520 803
13	Italy	Lombardia	916	1.94	510 984 157	598 367 620
14	Germany	Berlin	687	1.89	498 211 860	591 715 147
15	Finland	Helsinki-Uusimaa	677	1.86	490 257 577	563 999 115
16	Austria	Wien	797	1.83	483 393 600	610 337 726
17	Spain	País Vasco	579	1.41	372 144 172	433 652 879

Rank	Country	NUTS 2 name	Signed grants	Net EU contribution (%)	Net EU contribution (€)	Total cost (€)
18	Sweden	Stockholm	535	1.21	318 864 737	449 347 998
19	Netherlands	Gelderland	496	1.20	317 249 339	359 079 643
20	Germany	Karlsruhe	458	1.20	315 520 273	335 587 467
21	Netherlands	Utrecht	448	1.17	309 433 339	371 309 954
22	Ireland	Eastern and Midland	538	1.14	299 586 491	337 266 815
23	Netherlands	Noord-Brabant	375	1.14	299 262 867	468 936 145
24	Belgium	Prov. Oost-Vlaanderen	399	1.04	274 757 441	287 538 007
25	Portugal	Área Metropolitana de Lisboa	578	1.03	270 086 333	305 636 880
26	Greece	Κεντρική Μακεδονία (Kentriki Makedonia)	417	0.92	242 494 461	265 621 676
27	Spain	Comunidad Valenciana	439	0.90	236 284 857	277 727 833
28	Italy	Piemonte	420	0.90	235 900 104	300 184 855
29	Sweden	Västsverige	361	0.87	228 618 870	286 617 664
30	France	Rhône-Alpes	403	0.84	221 725 508	300 779 927
31	France	Midi-Pyrénées	260	0.83	218 153 092	329 824 304
32	Italy	Emilia-Romagna	484	0.82	216 178 911	239 713 531
33	Portugal	Norte	459	0.80	209 788 692	233 660 950
34	Slovenia	Zahodna Slovenija	441	0.78	204 236 662	449 941 335
35	Italy	Toscana	447	0.77	203 085 482	227 331 963
36	Poland	Warszawski stołeczny	390	0.77	203 009 292	275 062 314
37	Cyprus	Κύπρος (Kypros)	415	0.74	196 201 649	224 130 440
38	Austria	Steiermark	303	0.71	187 861 364	228 363 165
39	Germany	Darmstadt	275	0.70	184 017 401	217 061 148
40	Sweden	Östra Mellansverige	313	0.70	183 641 599	248 544 868
41	Belgium	Prov. Antwerpen	288	0.67	177 730 455	221 075 079
42	Ireland	Southern	298	0.67	175 975 434	202 366 427
43	Germany	Stuttgart	300	0.65	172 286 024	285 258 163
44	Spain	Andalucía	384	0.65	171 516 201	218 414 671
45	Italy	Veneto	359	0.63	166 346 849	182 091 702
46	Estonia	Eesti	349	0.60	157 741 308	181 374 499
47	Denmark	Midtjylland	291	0.59	155 790 040	164 959 929
48	Germany	Hamburg	224	0.57	151 307 752	178 449 343
49	Sweden	Sydsverige	239	0.57	150 233 497	186 908 750
50	Czechia	Praha	369	0.54	141 987 923	165 274 129
51	Luxembourg	Luxembourg	261	0.52	138 104 000	200 109 226

Rank	Country	NUTS 2 name	Signed grants	Net EU contribution (%)	Net EU contribution (€)	Total cost (€)
52	Italy	Liguria	275	0.50	132 565 610	154 068 555
53	Finland	Pohjois- ja Itä-Suomi	217	0.50	131 925 580	158 414 122
54	Finland	Länsi-Suomi	216	0.49	128 556 086	152 273 908
55	Ireland	Northern and Western	193	0.48	125 475 583	141 328 790
56	Germany	Brandenburg	185	0.45	118 756 481	133 147 644
57	Greece	Κρήτη (Kriti)	241	0.44	115 487 346	120 388 663
58	Germany	Dresden	169	0.43	113 879 163	141 146 233
59	Germany	Düsseldorf	235	0.43	113 758 324	131 781 165
60	France	Provence-Alpes-Côte d'Azur	268	0.43	113 523 910	138 812 372
61	Netherlands	Overijssel	191	0.43	112 802 761	133 737 232
62	Germany	Freiburg	194	0.42	109 781 299	123 276 091
63	Austria	Niederösterreich	170	0.41	108 557 595	122 407 460
64	Portugal	Centro (PT)	237	0.41	106 772 287	121 376 510
65	Romania	Bucureşti–Ilfov	308	0.40	106 618 910	144 562 862
66	Spain	Galicia	222	0.39	102 491 500	108 581 840
67	Germany	Schleswig-Holstein	142	0.39	101 985 582	121 869 432
68	Netherlands	Groningen	167	0.38	101 137 711	108 354 825
69	Hungary	Budapest	336	0.38	100 373 813	121 205 917
70	Germany	Rheinhessen-Pfalz	142	0.36	94 747 790	101 991 856
71	Spain	Aragón	172	0.35	92 898 221	101 054 093
72	Italy	Puglia	185	0.35	91 730 007	102 847 355
73	Spain	Castilla y León	182	0.34	89 738 372	96 962 376
74	Netherlands	Limburg (NL)	153	0.34	88 410 098	101 467 172
75	Germany	Braunschweig	184	0.33	88 194 281	91 126 459
76	Finland	Etelä-Suomi	158	0.32	84 912 559	98 964 425
77	Germany	Tübingen	136	0.32	83 975 183	88 114 033
78	Italy	Provincia Autonoma di Trento	168	0.32	83 902 666	87 724 931
79	Czechia	Jihovýchod	170	0.31	82 103 449	113 459 872
80	Germany	Arnsberg	145	0.30	77 971 714	86 777 901
81	Germany	Hannover	122	0.29	76 504 491	85 344 467
82	Italy	Campania	182	0.29	76 424 586	79 144 421
83	France	Aquitaine	173	0.28	74 144 083	116 690 813
84	Germany	Bremen	113	0.27	70 837 830	75 704 742
85	Italy	Friuli-Venezia Giulia	156	0.26	68 550 697	131 121 654
86	Bulgaria	Югозападен (Yugozapaden)	225	0.26	68 522 520	83 223 285
87	Germany	Saarland	100	0.26	68 481 043	75 824 977

Rank	Country	NUTS 2 name	Signed grants	Net EU contribution (%)	Net EU contribution (€)	Total cost (€)
88	France	Pays de la Loire	124	0.26	68 448 719	170 420 934
89	France	Alsace	145	0.25	65 737 167	76 560 545
90	Denmark	Syddanmark	132	0.24	64 263 080	81 971 362
91	Belgium	Prov. Brabant Wallon	99	0.24	63 790 096	76 908 019
92	France	Bretagne	143	0.24	63 421 563	80 153 998
93	Poland	Małopolskie	144	0.23	59 812 691	64 404 849
94	Greece	Δυτική Ελλάδα (Dytiki Ellada)	110	0.22	59 268 246	61 844 041
95	Germany	Mittelfranken	104	0.22	59 023 263	63 618 640
96	Denmark	Nordjylland	129	0.22	57 460 863	63 685 590
97	Sweden	Övre Norrland	101	0.21	56 193 574	61 558 270
98	Lithuania	Sostinės regionas	180	0.21	56 179 074	72 539 565
99	Belgium	Prov. Liège	107	0.21	55 801 245	73 313 808
100	Latvia	Latvija	195	0.21	55 624 080	73 206 488

Source: compiled by the authors based on Horizon Dashboard as of 21 January 2024. (The Dashboard was updated on 20 December 2023. All terms and definitions shall be interpreted as it is in the glossary of the Horizon Dashboard)

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Is the Purpose of Cohesion Policy Changing? The Goals of Cohesion Policy in the Reports of the European Parliament

An effective cohesion policy is the backbone of the common market and European economy in general. It mitigates the negative effects of economic integration by strengthening the weakest links in the chain of European economic cooperation. The significance of cohesion policy is evident, however, there are worrying tendencies weakening its effectiveness. Not only does the Multiannual Financial Framework have less nominal resources allocated for cohesion in general, but the focus, objectives, and recipients seem to be shifting as well. By introducing the objectives of other policy fields into cohesion policy and deviating its resources for short-term crisis management, the development of regions and their cohesion seems to become a secondary, subsidiary objective. Without cohesion policy, the costs of accelerated economic integration can become unbearable for certain parts of the EU. Even though the European Parliament does recognise this tendency, it sends mixed signals during legislative and non-legislative procedures. There is only one solution for the change in the nature of cohesion policy and thus its hollowing-out – a strict separation of cohesion and non-cohesion goals and their allocation in the EU budget.

Keywords: European Union Law, Cohesion Policy, European Parliament, European legislation, ERDF, MFF, reform

Introduction

The cohesion policy of the European Union has always been facing fundamental debates and reforms during previous waves of enlargement of the European Union. Once again, the question of enlargement is high on the European priority agenda. The European Council has decided to open accession negotiations with Ukraine and Moldova and to grant the status of candidate country to Georgia in December.[2] The level of future

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[2] European Council 2023.

cohesion between regions of the EU and regions of the countries aspiring to be members of the EU is significant.

Cohesion policy underwent changes since its establishment, much like the role, functioning, responsibilities, nature and powers of the European Parliament. The predecessor of the European Parliament, the European Parliamentary Assembly was established as a consultative body of a regional international organisation. Since then, its powers have significantly developed; it participates on an equal footing with the Council of the European Union in legislative procedures (co-decision). It initiates legal acts in specific fields like its own composition, election regulation, or the European Ombudsman's statute.[3] It has also requested for more power in its proposal for the amendment of the Treaties.[4]

Since the establishment of the cohesion policy, the role of the European Parliament has been increasing in this field as well. The Member States are the most significant actors, acting through the Council. They agree on treaty reforms, the Multiannual Financial Framework (MFFs) and policy regulations and determine the direction of the policy and its financial resources. Still, the European Parliament is an advocate of regional policy[5] and increased spending in the field of cohesion policy and participates in the adoption of cohesion legislation.[6]

Another important player is the Commission, which had a key role in keeping cohesion on the agenda after the Rome Treaty and thus in the establishment of the European Regional Development Fund (ERDF). It advocates for increased spending, policy reforms, initiates policy proposals, and functions as an intermediary in intergovernmental budgetary and legislative negotiations, favouring stronger and well-founded cohesion policy. Furthermore, the Commission plays an important role in the multi-level process of implementing cohesion policy.[7]

Due to the initiatives of the European Commission and through the positions of certain Member States, cohesion policy is undergoing changes. As a coordinated community solution to the disparity, imbalances between the different regions in Europe was the first and main objective of regional policy during its establishment. This goal dates back to the 1960s when it was already featured in the reports and communications of the European Commission.[8] In 1975, the regulation regarding the ERDF came into force supporting investment in small enterprises and infrastructure creating at least 10 jobs, and investment in mountainous areas that are also eligible for the agriculture guidance fund. In 1988, after the accession of Greece, Spain and Portugal, the Structural Funds were integrated into an overarching policy, the cohesion policy, with the goal of focusing on the development of the poorest regions. The original goal of the cohesion policy (and Regional Policy) was, therefore, to support the development of the most

3 Corbett et al. 2016: 3–11.
4 European Parliament 2023.
5 Cohesion policy and regional policy are often used interchangeably, although there is a difference between the two terms. The historical development of the two expressions is different, and the focuses and scopes of the two are somewhat distinct, but both policies work for promoting balanced development, economic growth and social inclusion, taking regions as a basis in many cases. Klug 2006: 68.
6 Baun–Marek 2014: 39.
7 Baun–Marek 2014: 39.
8 Bureau d'informatin des Communautes Européennes 1965: 1–10.

backward regions and thus help the economy and the common market of the European Community as a whole.[9]

If we look at the regulations currently in force in this field and the discussions regarding the possible reforms of cohesion policy, the nature and main objectives of this field, the goal and justification of the European legislators seem to be shifting. General policy objectives seem to be making their way into the regulations and rules of cohesion policy, and the list of the recipients seems to be changing as well. If we assess the resolutions and reports, thus the aim of the European Parliament, these changes become even more tangible.

The "raison d'être" of European cohesion policy

Cohesion as a concept did not have a precise definition before it was introduced into EU policy and EU law, but over time, a practical definition emerged. Cohesion is "the degree to which disparities between the different regions of groups within the European Union are politically and socially tolerable".[10] It has three dimensions: economic, social, and territorial.[11]

The Rome Treaty did not include any reference to cohesion policy, or to strengthening the cohesion between the regions as a goal, only the harmonic economic development of its member states. There was no need for cohesion policy in a community that did not face the problem of having regions with differing levels of economic development. After the concept of the monetary Union was laid down in the Werner Plan, the first enlargement and the effects of the economic crises, it was evident that there was a need for the support of the least-developed regions in the economic cooperation of the European Communities. The European Regional Development Fund was established in 1975 to help mitigate regional economic and social disparities and support necessary structural changes. The goal was to decrease differences in levels of development on a general level. It was supplementing the European Social Fund (1957) focusing on promoting employment and later the European Agricultural Guidance and Guarantee Fund and the Financial Instrument for Fisheries Guidance.[12]

With the accession of the Mediterranean countries, the differences in the levels of economic development of the Members within the European Communities became tangible. The 10 most developed regions had three times higher GDP rates than the 10 least developed ones. The acceding countries emphasised their demand for support to mitigate their economic differences. Integration in itself can magnify the differences between regions; reaching higher levels of it can come with a cost for the less developed regions. Structural and cohesion support helps the cohesion between regions, thus it

9 See: https://ec.europa.eu/regional_policy/policy/what/history_en
10 Molle 2015: 4.
11 Molle 2015: 4.
12 Horváth 2011: 363–364.

enhances the positive effects of economic integration. The ERDF was not enough to serve this purpose. The Single European Act laid down the foundation of regional policy by incorporating economic and social cohesion as a goal in the Treaties.[13]

Article 174 TFEU states that: "In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions."[14]

Article 175 TFEU states furthermore that "formulation and implementation of the Union's policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement".[15]

According to Article 176 TFEU, the European Regional Development Fund is intended to help "redress the main regional imbalances in the Union through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions".[16] Article 177 TFEU is the legal basis of the Cohesion Fund, providing financial contributions in the fields of environment and trans-European networks.[17]

The historical development of cohesion policy and the legal norms in force show, therefore, that the reason for establishing cohesion policy was to mitigate the differences of economic (and other types of) development between the regions of the European Community, to reduce the disparities between the regions, also helping to realise the common market and mitigate its negative side effects. If we look at the legislation in force in this field, the positions of the EU institutions and the discussions regarding future reforms, there seems to be a shift in the main objective of cohesion policy.

The erosion of cohesion policy?

The EU has been facing a stream of challenges in the past years and decades, like Brexit, the migration crisis, rule-of-law debates, climate change, a global pandemic, a war in its neighbourhood and energy crises. This leads to the necessity of preparing the long-term budget for the post-2020 period for crises and challenges. There is an argument that this should include changes in cohesion policy as well as the most important EU investment

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13 HORVÁTH 2011: 363–364.
14 Treaty on the Functioning of the European Union.
15 Treaty on the Functioning of the European Union.
16 Treaty on the Functioning of the European Union.
17 Treaty on the Functioning of the European Union.

instrument.[18] The connection between the crises and challenges of the European Union and cohesion policy is inevitable. However, the emphasis is resting on the nature of the changes to cohesion policy.

Authors referenced the problem of the shifting goals and nature of cohesion policy. Wolfgang Petzold argues that the reform of Cohesion Policy opens avenues for radical change as there is pressure to re-design this policy due to new mechanisms stemming from the Recovery and Resilience Facility.[19] Ildikó Egyed and Zsuzsanna Zsibók argue in 2023 that the crises of the last one and a half decades changed the direction of the cohesion policy of the EU significantly. This was already present during the economic crisis of the second part of the 2000s. During the cycle of 2007–2013, the scope of the policy was already changed to include developed regions as well. This is important according to these authors, as the support for the European integration might weaken in case cohesion policy does not seem to be effective.[20] The changes in the MFF and new priorities also affect Cohesion Policy significantly.[21] These changes are tangible in the communication, workings and adopted legislations of the EU institutions as well.

The President of the European Commission, Ursula von der Leyen, declared in her political guidelines[22] that the European Union needs to reach the goal of climate neutrality by 2050. The Just Transition Fund,[23] established by Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 introduced a new goal into regional and cohesion policy, namely supporting regions in the transition towards climate neutrality, focusing on regions decreasing their dependence on fossil fuels and greenhouse-gas-intensive industrial technologies. Thus, cohesion policy became a tool for reaching the objectives of another policy field. Allocation criteria are based on industrial emissions, regions with high carbon emissions, employment in coal and lignite mining, and other polluting fields are analysed for the allocation of such funds. Through this process, economically more developed regions can receive funding from cohesion policy as well.[24]

Regulation (EU) 2022/562 of the European Parliament and of the Council of 6 April 2022 amending Regulations (EU) No 1303/2013 and (EU) No 223/2014 as regards Cohesion's Action for Refugees in Europe (CARE) also demonstrates the reshaping of the goals and purpose of cohesion policy. The justification of the regulation describes that the recent military aggression by the Russian Federation against Ukraine has fundamentally changed the security situation in Europe, and there is an inflow of refugees to the Member States, on top of the economy still trying to recover from the Covid–19 pandemic. Member States are able to finance investments under cohesion policy programmes to tackle the challenges of migration.[25] The justification proceeds to argue that it is necessary to make use of the ERDF, ESF and FEAD resources more flexible, taking

18 Petre 2021: 16.
19 Petzold 2022: 122.
20 Egyed–Zsibók 2023: 121–125.
21 Kaiser 2018: 39.
22 Von der Leyen 2019.
23 See: https://www.europarl.europa.eu/factsheets/en/sheet/214/just-transition-fund
24 Regulation (EU) 2021/1060.
25 Regulation (EU) 2022/562.

into account the urgency to address migratory challenges. This constitutes a redirection of funds meant to strengthen the cohesion between European regions and to develop the poorest regions to support the common market.

The 2020 coronavirus outbreak has greatly reshaped the structure of the MFF, leveraging 2014–2020 cohesion funds to be able to agree on the Next Generation EU Package and setting up the Coronavirus Response Investment Initiative.[26]

The regulation on the European Regional Development Fund (ERDF)[27] states that the objectives pursued need to promote "improving the quality of the environment", referencing the 2015 Paris Agreement on climate change and the UN Sustainable Development Goals. Operations under the fund need to contribute 30% of the overall financial envelope to climate objectives, and operations under the Cohesion Fund need to contribute 37% of the overall financial envelope to climate objectives, with the ultimate goal of having "a climate-neutral Union by 2050". It also describes demographic and migration dynamics, stating that the EU migration policy requires a common approach and that the ERDF should pay attention to demographic processes, ensuring consistent support for solidarity between Member States managing migration. There are further objectives from other policy areas in different regulations as well in the field of cohesion policy.[28]

This changes the nature of cohesion policy significantly and uses its funds for different objectives than its original reason for existence. Cohesion policy was not intended as a crisis management instrument, there are separate tools for such purposes with separate dynamics and timing. Quite the contrary – as the previous chapter has demonstrated – it should serve as an instrument to help less developed regions mitigate the negative effects of integration and to be able to participate in the economy and common market of the EU with their full potential, extending the economy of the EU as well. The nature of cohesion policy is long-term, an investment in the economic development of regions and thus into the economic growth of the single market as a whole. However, crises and the realisation of policy goals require a different perspective, a short-time, rapid reaction to events occurring, or rapid, policy-oriented steps to guide the EU in a different direction. Financing the goals presented by the European Commission, like the goal of climate neutrality by 2050 and the European Green Deal, or the cost of digital transformation and tackling demographic processes either by reducing the budgetary share of or using cohesion policy as an instrument for the realisation of these and other policy objectives undermines the core objective of cohesion policy.

The position of the European Parliament

The new MFF foresees commitment appropriations for economic, social and territorial cohesion in a total of €330 billion in 2018 prices, which is 30.74% of the entire EU budget for 2021–2027. Cohesion policy was subject to a 6% nominal increase, however, it faced a decrease of 7% in real terms. This means an overall cut in funding, which was not

[26] PETRE 2021: 18–19.
[27] Regulation (EU) 2021/1058.
[28] See: https://ec.europa.eu/regional_policy/information-sources/legislation-and-guidance/regulations_en

welcomed by other EU institutions, such as the European Parliament, expressing support for the maintenance of the same level of financing for this field. Furthermore, instead of 11 thematic objectives, the European Commission suggested modernising cohesion policy and building it on five investment priorities for the period of 2021–2027, six less compared to the previous period.[29] The majority of the CF and ERDF will be targeted to achieve the first two objectives, "a smarter Europe" (includes, for example, enhancing digitalisation and innovation) and "a greener and low-carbon Europe" (includes fighting climate change and supporting circular economy).[30]

The European Parliament adopted an own-initiative (INI) report in 2022, 2022/2032(INI) on the 8th Cohesion Report of the European Commission.[31] According to the INI report, it is necessary to provide at least the same level of funding for the 2021–2027 funding period, with additional resources for the Just Transition Fund to be created. The MEPs stated that cohesion policy should not be a tool for making up for shortcomings in budgetary flexibility or for budgetary cuts due to various crises. The EU adopted measures in response to the Covid–19 pandemic (for example the Coronavirus Response Investment Initiative, or the Recovery Assistance for Cohesion and the Territories of Europe). It also mentions the Cohesion's Action for Refugees in Europe. The European Parliament realises the problem of using these funds for short-term crisis management instead of maintaining cohesion policy as a long-term investment policy developing regions.[32]

In the INI report on cohesion policy 2014–2020 – implementation and outcomes in the Member States [2023/2121(INI)],[33] the European Parliament states that cohesion policy investments have resulted in unparalleled positive impacts on regions. It also states that cohesion policy is at a turning point, it must compete with other instruments and delivery models and is expected to deliver on a growing set of long-term priorities, but it is increasingly used for tackling emergencies. In Article 1 of the report, the text states that "cohesion policy should remain the EU's main instrument for reducing disparities and stimulating regional growth", but it also states that cohesion policy should "continue to be a key contributor to supporting recovery from symmetric and asymmetric shocks". It does call, in the same article, for a "clear demarcation between cohesion policy and other instruments in order to avoid overlaps and competition between EU instruments" and that "there must be an increase in the overall cohesion budget and in the MFF's share of the policy compared to the 2021–2027 programming period". In Article 3, it emphasises that "the cohesion policy budget should not be used for new non-cohesion policy instruments and programmes, either within or outside of the MFF" and that flexibility should be a bottom-up process initiated by the Member States or specifically its regions.[34] It lists how cohesion policy became essentially a crisis management tool, as the

29 Petre 2021: 18–19.

30 The other three objectives are "a more connected Europe" (digital connectivity, sustainable urban mobility), "a more social Europe" (facilitating the integration of migrants, youth's access to employment) and "a Europe closer to its citizens" (fostering locally led development). Petre 2021: 18–19.

31 European Parliament 2022b.

32 Széchy 2023.

33 European Parliament 2024.

34 European Parliament 2024.

Coronavirus Response Investment Initiative (CRII and CRII+) allowed Member States flexibility, and in 2022 flexibilities were introduced through CARE and FAST-CARE, helping Member States to assist people fleeing from Ukraine. The 2014–2020 framework was also modified to help vulnerable households and SMEs as a part of RePowerEU.

In another report of the house, the Implementation of the 2021–2027 cohesion policy [P9_TA(2022)0113],[35] the European Parliament recalls that cohesion policy instruments are important to fight climate change, to support the realisation of the objectives of the Paris Agreement, the goals of fair and inclusive green and digital transformation and to counteract the loss of biodiversity.

On 24 June 2021, the regulation on the European Regional Development Fund (ERDF) and Cohesion Fund 2021–2027 was adopted. During its second reading, the European Parliament accepted the position of the Council.[36] Parliament proposed the addition of a new "Tasks of ERDF and Cohesion Fund" article, where the least favoured regions lagging behind would receive help to develop and decrease the disparities between regions, particularly in the field of environment in line with the European Green Deal. Regarding "thematic concentration", policy objective 2 aims for a "minimum spending target of at least 30% in the field such as climate action and circular economy and with a special focus on biodiversity spending up to 10%".[37] The ERDF and Cohesion Fund shall not support investment related to fossil fuels, with some exceptions. Furthermore, the ERDF under sustainable urban development and environmental goals will support activities that respect the climate, biodiversity and environmental standards, the obligations of the Paris Agreement and contribute to reaching the UN Sustainable Development Goals as part of reaching the objectives of the European Green Deal. ERDF will be available to adopt integration measures protecting the rights of migrants. Temporary measures will allow for the adoption of measures responding to exceptional or unusual circumstances by supporting SMEs.

The report on the gender dimension in Cohesion Policy [2020/2040(INI)][38] calls on Member States to take gender equality into account when developing cohesion policy programmes. It declares that it is necessary to identify priority areas that contribute to gender equality. Programmes need to pursue gender equality opportunities. It demands concrete targets on gender equality objectives and ex-ante requirements of developing a national gender equality strategy in this field.

Ultimately, the European Parliament expressed a mixed position in its different reports and votes on legislative files regarding cohesion policy. Even though it contested the new MFF decreasing the nominal value of funds allocated for cohesion policy, it did accept the new allocation in the end. It also supported the prioritising of objectives spilling over from other policy areas. Furthermore, the Parliament did state on multiple occasions that cohesion policy should not be a tool for making up for shortcomings in budgetary flexibility, for budget cuts, or using the resources of this policy field to attain the goals of other ones in general. It stated that cohesion policy is meant

35 European Parliament 2022a.
36 European Parliament 2021a.
37 European Parliament 2021b.
38 European Parliament 2021c.

to be a long-term investment into the development of European regions and thus the economy of the EU as a whole. It realises that cohesion policy is at a turning point, and its reform will determine if its core function and objective will remain the same or not. However, it did not take any meaningful steps to steer Cohesion Policy into the right direction (for example through adopting resolutions specifically dedicated to warning the European Commission). It expressly states that cohesion policy should remain the main instrument for reducing disparities between regions, and calls for avoiding overlaps between EU instruments, a "demarcation" between cohesion policy and other policies. In spite of this, the European Parliament still references goals like green and digital transformation, the loss of biodiversity, climate action, gender dimension and managing migration. The European Parliament did support the usage of cohesion funds for short-term crisis management objectives as well. In the end, the focus of cohesion policy seems to be changing from the development of regions to attaining other policy fields. This trend is also worrying, considering that the Parliament has more and more influence in this field.

Conclusion

A fundamental change is taking place in cohesion and regional policy. The fundamental goals and objectives of the legislator and the whole policy are shifting and the recipients of the funds have as well. Not only less developed regions can receive funding from the instruments of cohesion and regional policy, but developed regions as well, through the introduction of environmental and other policy goals. It does not only focus on the development of poor and backward regions, but it has evidently become subjugated to political priorities of a different nature, a tool for other policy fields to reach their own objectives. If there is not enough funding in the MFF and the yearly EU budget for certain goals and unexpected crises, the resources and funds of cohesion policy can come to the rescue – at the price of the efficiency of reaching its original goals.

The European Parliament has an influence on the legislation in the field of cohesion policy. After analysing its positions during legislative and non-legislative procedures, it becomes evident that it is sending mixed signals. It does declare that the long-term investment in regions is important, and cohesion policy cannot be hollowed out and used for short-term policy goals and crisis management, but still, it lists objectives for cohesion policy that belong to other fields, thus subjugating it to other policies and losing focus from the development and cohesion of European regions.

Regional and cohesion policy was invented for a reason. Without mitigating the differences between different regions and different parts of Europe, European economic integration can pose unbearable burdens for certain regions. A chain is just as strong as its weakest link. The common market cannot function properly in the long run if the regions with economic data below the EU average will not receive help to reach the development level of the rest. A possible solution would be a strict separation of the goals of cohesion policy and other policies, but the current tendencies seem to be going in the opposite direction.

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Lóránt Zsombor Kocsis[1]

Support Funds of the European Union and their Eastern Central European Comparison

Recent events have posed significant challenges for the world economy, including the European Union. There were problems at several levels, with the memory of the 2008 crisis and its aftermath still present in society, an energy crisis, and the very damaging effects of the pandemic on the economy and, finally, the outbreak of war on the continent. Even before that, the EU had a number of problems to address, such as improving competitiveness and the issue of migration, but these events had exacerbated them. The EU's cohesion policy plays an important role in addressing or at least mitigating these challenges by providing a well-planned support structure to intervene and offer solutions. How are the funds structured? What are the main funding priorities, which in turn also highlight the most pressing problems? How have the funds changed compared to the previous budgetary period, and how do the particularly vulnerable Eastern Central European countries stand to benefit from these? The present study aims to analyse and answer these questions.

Keywords: cohesion, European Union, economic development, support, competitiveness

Introduction

There are significant differences in development between regions across the European Union, which are understandable due to a number of factors, such as the resources available or even historical and geographical conditions. However, it is clear that it would be unacceptable for its population to live under widely disparate conditions across different regions in the long term. Full harmonisation is clearly impossible, but promoting cohesion and reducing disparities in development between regions is crucial for integration. The application of free market principles is essential, but this alone is not sufficient for regional convergence, as appropriate measures and significant interventions are needed, which we know as the EU's cohesion policy. These involve the disbursement of aid from earmarked funds, the primary aim of which is to support productive activities, increase efficiency and competitiveness and attract external investment. It is important to stress,

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however, that support for the less developed regions is not simply a transfer of wealth, but is intended to promote the proper exploitation of development potential. This is the purpose of EU-level regional policies, which provide funding opportunities to achieve cohesion.[2] A number of funding priorities are still in place in the current budgetary period and are detailed in the study.

The EU support scheme is managed and controlled by the European Commission at EU level, while a dedicated ministry is usually appointed to carry out these tasks in each member country.

The support funds are diverse and complex, but each of them has specific guidelines that indicate the main funding priorities. Every Member State is required to draw up so-called operational programmes in well-defined areas where the aid can be directed. Operational programmes are, in fact, detailed plans that show the manner in which the aid is to be used, with priority axes and specific objectives through which the aid can be accessed by prospective beneficiaries, which can be businesses, public bodies or NGOs.

Support schemes have a well-defined structure and logic; yet in my view, many beneficiaries (ranging from governmental and non-governmental bodies to businesses) are not properly aware of them, which has a clear impact on the absorption rate. In order to overcome this issue, the paper has attempted to offer a transparent and intelligible review of the grant funds, but also, in terms of the indicators presented later in the paper, to explore differences between countries and the correlations between their respective indicators.

As a first step, we must analyse the EU support funds available for the 2021–2027 period, the guidelines they follow, the priority areas for support as well as the financial envelope available. In the first part, the support funds are introduced with budget and objectives, and in the second part, the most important goals are introduced and the budget and funds are presented according to these goals.

The European Commission classifies the support funds as follows:

- the cohesion policy in the current (2021–2027) budgetary period includes:[3]
  - the European Regional Development Fund (ERDF)
  - the European Social Fund Plus (ESF+)
  - the Cohesion Fund
  - the Just Transition Fund
  - Interreg
- other funds, including:
  - Asylum, Migration and Integration Fund
  - Border Management and Visa Instrument
  - Internal Security Fund
  - European Maritime, Fisheries and Aquaculture Fund

In addition, the Next Generation EU support instrument and the Rural Development Fund are also relevant to the EU's support policy.

2 Kengyel 2020.
3 See: https://cohesiondata.ec.europa.eu/funds/21-27

Pursuant to the decision of the European Union, a temporary support instrument called Next Generation EU was created with the primary goal of providing an adequate response to the economic and social challenges caused by the Covid pandemic. This support instrument is to be managed separately from the EU's usual multi-year (currently 2021–2027) budget. To ensure successful implementation, each EU Member State has created a National Recovery and Resilience Plan outlining its investment priorities. Key priorities featured in the instrument include: implementing the green transition, digitisation, healthcare, a strong Europe and equality.[4]

The objectives of the Rural Development Fund include support for farm development, support for young farmers, installation and development of irrigation facilities, support for storage and processing operations, livestock farming, development of rural areas, fruit and vegetable production, support for beekeeping, wineries as well as support for action aimed at protecting the environment and climate.[5]

This study mainly deals with the European Regional Development Fund (ERDF), the European Social Fund plus (ESF+), the Cohesion Fund (CF), (starting from this period) the Just Transition Fund (JTF) and Interreg cooperation programme.

However, the practical implementation of these improvements requires a thorough understanding of the structure, guidelines, design and operation of each of the funds. These are described below.

The structure of the European support funds

The paper outlines the funds for the current budgetary period; however, preceding this, it also examines some of the particularities of the 2014–2020 period, and then goes on to explain the differences between the two periods. In the previous budgetary period (2014–2020), the EU budget allocated approximately €350 billion to cohesion policy, representing 0.3% of the EU's GDP. Even then, one of the objectives of the budgetary period was that the regions most in need should receive support. Accordingly, the first category was the so-called less developed/developing regions with a GDP per capita of less than 75% of the EU average, the second category was the so-called transition regions, reaching a GDP per capita of between 75% and 90% of the EU average, and the third category was the most developed regions, with a GDP per capita of over 90% of the EU average. By definition, the most disadvantaged regions received the most support from the European Regional Development Fund (ERDF) and the European Social Fund (ESF), while the Cohesion Fund (CF) was specifically allocated to countries with a Gross National Income (GNI) below 90% of the EU average. It is important to underline that contribution from the Member States was a condition of the investments made using EU funds; the ERDF and ESF funds provided support for investments ranging from 50% to 85%, while the CF contributed up to 85%, with the remaining portion funded by national contributions. The most supported areas under the ERDF were research

[4] See: https://ec.europa.eu/economy_finance/recovery-and-resilience-scoreboard/index.html?lang=en and https://next-generation-eu.europa.eu/index_en

[5] Fonduri-Structurale 2023.

and development (R&D), innovation, IT, increasing the competitiveness of SMEs and low carbon emissions; under the ESF – education, training, promoting workforce development and mobility, combating poverty; while the main areas under the CF were environment and transport infrastructure improvements.[6]

As mentioned above, the Union and its member states will have to deal with a number of socio-economic issues in the coming period. The most pressing problems that require urgent solutions, or at least mitigation, can be very well traced through the policy objectives of the funds. These are the main priorities that determine the items that can be earmarked for support from the relevant fund. The following section provides an overview of the funds, with an emphasis on the policy objectives and the financial envelope for the current budgetary period.

The two questions formulated in the abstract, namely, "how are the aid funds structured?" and "what are the main funding priorities?", will be answered in the following.

The aim of the ERDF (European Regional Development Fund) is to strengthen cohesion within the European Union in the economic and social sphere by correcting regional imbalances. In the current 2021–2027 budgetary period, the initial budget for the entire Union is €215 billion, and the total budget approved so far – which includes both EU subsidies and national contributions – is €308,840,007,124 (approximately €308.8 billion), of which EU support amounts to €211,951,886,280 (approximately €211.9 billion), while national contributions amount to €96,888,120,844 (approximately €96.8 billion). With regard to investments, the following main guidelines and funding priorities (policy objectives) have been formulated:[7]

- *A more competitive and smarter Europe*: support for small and medium-sized enterprises (SMEs), with an emphasis on innovation and digitisation
- *Greener Europe:* lower carbon dioxide emissions, implementation of the Paris Agreement, use of renewable energy sources, mitigation of climate change
- *Connected Europe:* through the development and deployment of strategic transport and digital networks
- *A more social Europe*: efficient and inclusive employment, ensuring equal access to education and healthcare, but also supporting sustainable tourism and culture
- *A Europe closer to its citizens*: support for local strategic developments and sustainable urban developments

The most important guidelines of the support fund are a more competitive and smarter Europe (first policy objective – policy objective, hereinafter PO1) and the transition to a greener and low-carbon Europe (second policy objective – policy objective, hereinafter PO2). All regions and member states focus at least 30% of the allocated amount on PO2. The most developed member states and regions allocate 85% of the subsidies to PO1 and PO2. The so-called transit regions (transition between the least developed and the most developed) allocate at least 40% of the subsidies to PO1. Poorly developed regions must allocate at least 25% of the subsidies to PO1.

[6] Crucitti et al. 2023.
[7] Regulation (EU) 2021/1058; Agenția de Dezvoltare Centru 2022.

All Member States and regions are required to allocate at least 8% of their funding to urban development through various local development cooperation schemes. It is expected that the ERDF will contribute 30% of the total budget allocated to climate objectives.

For *a more competitive and smarter Europe* (PO1), the total value of the envelope (including the national contribution) is €112,954,136,101. Its specific objectives include innovation, research and the introduction of new advanced technologies; reaping the benefits of digitisation for citizens, businesses and public administrations; promoting the growth and competitiveness of small and medium-sized enterprises (SMEs), including productive activities and job creation; developing skills to foster smart specialisation, industrialisation and entrepreneurship; and improving digital connections.

In the case of PO1, support can be used for the following: support for the acquisition of assets (including intangible assets or e-capital) by small and medium-sized enterprises (SMEs) carrying out research and innovative activities; technology transfer and cooperation between businesses, higher education institutions and research centres; training programmes, capacity building and skills development and entrepreneurship for industrial transition and support for inventions; development of commercial infrastructure for SMEs (including industrial parks and sites); commercial development and internationalisation of SMEs; support for innovation clusters and trade networks for SMEs, support for incubation activities, startup and spin-off (research and development) companies; promoting and facilitating the digitisation of SMEs; telecommunications, IT services, e-health.

In the case of *Greener Europe* (PO2), the total value of the envelope (including the national contribution) is €102,907,757,622. In general, it supports all activities related to the reduction of carbon dioxide emissions, climate protection and pollution reduction.

Its concrete (specific) objectives are: promoting the use of renewable energies, promoting energy efficiency, reducing greenhouse gas emissions, developing smart energy systems and grids (other than TEN-E), promoting good water management, access to water, adapting to climate change, preventing disaster risks, developing resilience, helping the transition to a circular economy (eco-design of products with a focus on durability, repairability, recycling), developing green infrastructure (including urban areas) and implementing sustainable multimodal urban transport (smart transport system).

The activities that can be supported by PO2 are:

- activities that increase the energy efficiency of public buildings and residential buildings
- activities promoting the efficiency of centralised heating systems
- use of renewable energy sources: solar energy, wind energy, biomass, geothermal energy
- support for intelligent electricity distribution systems
- support for adaptation to climate change, disaster resilience, risk prevention strategies (landslides, droughts, floods, earthquakes)
- support for sustainable water management
- supporting the transition to a circular economy

- ensuring biodiversity, building urban green infrastructure, reducing pollution, disinfecting polluted industrial sites
- development of urban transport, especially in less developed regions, such as light rail, metro and tram lines, as well as the development of cycling infrastructure

In the case of *a connected Europe* (PO3), the total value of the envelope (including the national contribution) is €29,760,985,025. It aims to support the development of the trans-European transport network (TEN-T), its climate resilience, safety and intermodality, while also prioritising the development of regional and local networks and their connection to the TEN-T, the promotion of cross-border mobility and the improvement of digital connectivity.

Activities supported by PO3:

- construction, reconstruction and renovation of highways, national, regional and local road networks
- construction of secondary road network connections with the TEN-T road networks and junctions
- construction, reconstruction and renovation of railway lines
- the deployment of the European Rail Traffic Management System (ERTMS) and the acquisition of mobile railway equipment
- non-urban multimodal transport support
- harbours
- providing infrastructure for access to alternative fuels and for cycling
- digitisation of transport

In the case of a *more social Europe* (PO4), the total value of the envelope (including the national contribution) is €28,578,510,843. It mainly focuses on improving social infrastructure, taking into account the importance of innovation to facilitate access to quality jobs. At the same time, it places a strong emphasis on education, learning and the development of all infrastructures that facilitate access to these. It also promotes the socio-economic integration of marginalised groups and immigrants, including housing, health and other social services, and aims to strengthen culture and sustainable tourism.

PO4 provides support in the following cases:

- support for infrastructural investments for the implementation and development of preschool education, primary, secondary, higher education and adult education (both in person and online)
- assisting migrants and refugees (mainly, but also other persons seeking international protection) by providing housing, temporary accommodation and social care
- support for health infrastructures, medical devices, mobile health devices and the digitisation of healthcare
- support for disadvantaged groups (unemployed, young people, Roma, people living in poverty) in accessing employment

- support for independent activities, social enterprises and startups
- support for measures that help access to healthcare systems and increase their efficiency
- support for the improvement of family and social care services
- increasing the role of culture and tourism in economic development, social inclusion and innovation

In the case of *Europe closer to its citizens* (PO5), the total value of the envelope (including the national contribution) is €26,551,101,927. It supports the promotion of integrated and inclusive development in the social, economic and environmental fields, taking into account the development of cultural and natural heritage, sustainable tourism and the security of urban and non-urban areas.[8]

PO5 supports the following activities:

- the development, promotion and protection of public tourist assets and related tourist services
- development, promotion and protection of cultural heritage and related cultural services
- development, promotion and protection of ecotourism and natural heritage
- renovating and securing public spaces

As shown above, the ERDF fund is made up of five policy objectives (POs), each with precise and clear guidelines for the objective in question and a precise definition of the set of activities for which support can be drawn from the EU fund in question.

Figure 1 shows the emphasis placed on each of the POs at the EU level under the ERDF for the current budgetary period (EU and national contributions combined, PO TA refers to technical assistance).

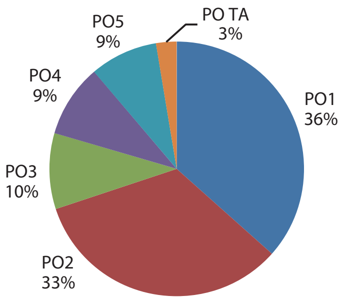

Figure 1: Total budget of the ERDF by policy objectives (PO), expressed in percentages
Source: Compiled by the author based on https://cohesiondata.ec.europa.eu/funds/erdf/21-27

8 See: https://cohesiondata.ec.europa.eu/funds/erdf/21-27 Note: data from 10 February 2023.

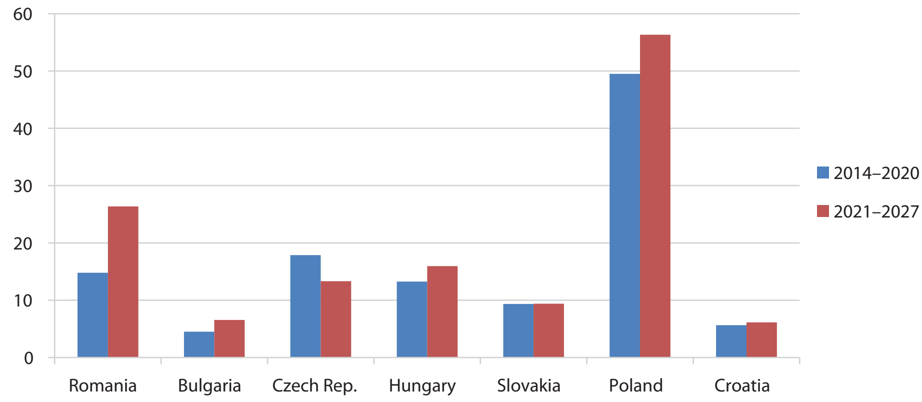

Figure 2: Total budget of the ERDF by country, EUR billion

Source: compiled by author based on https://cohesiondata.ec.europa.eu/funds/erdf/21-27 https://cohesiondata.ec.europa.eu/funds/erdf/14-20

Note: for the current budgetary period 2021–2027, the chart above shows the amounts approved until 10 February 2023.

As the largest and most significant EU fund, the ERDF's funding in the Eastern Central European region for the last (2014–2020) and the current (2021–2027) budgetary period can be compared in the following chart (Figure 2).

It can be observed that in all Eastern Central European countries, with the exception of the Czech Republic, the financial envelope provided by the ERDF increased in the current budgetary period when compared to the last one. The smallest increases can be observed in the case of Bulgaria and Croatia, with a budget of €4.5-6.5 billion, while the largest are in the case of Poland and Romania, for this period the former has more than €56 billion and the latter more than €26 billion.[9]

For the previous 2014–2020 budgetary period, the ERDF's main priorities (policy objectives) were: research and development; competitiveness; low carbon emissions; crisis management and resilience; network infrastructures in transport and energy supply; environmental protection; social inclusion; information and communication technologies; educational and professional training; adapting to climate change and risk prevention; sustainable and quality employment; efficient public administration; support for sparsely populated areas; and technical assistance.[10]

Comparing the two (previous and current) budget periods, it can be observed that the policy objectives are more consolidated in the current one, but there are clear overlaps regarding the support policy of both periods. Today PO1, a more competitive and smarter Europe clearly includes the importance of research and development (R&D),

[9] See: https://cohesiondata.ec.europa.eu/funds/erdf/14-20; https://cohesiondata.ec.europa.eu/funds/erdf/21-27

[10] See: https://cohesiondata.ec.europa.eu/funds/erdf/14-20

PO2, Greener Europe includes low carbon emissions and climate protection, PO3, Connected Europe includes the construction of network infrastructures, and the objective of A more social Europe (PO4) includes education, professional training and employment. As an answer to the second research question (you can find in the abstract), all of this serves to highlight Europe's most pressing problems and challenges, since these are the ones the grants are focused on solving. Consequently, competitiveness, connectivity, climate change and education appear as the most important factors. But why are these factors so important, and why do European aid policies place so much emphasis on them?

Research and development (R&D) (PO1) is clearly linked to innovation, and the level of innovation is an indisputable determinant of technological development, which in turn has an impact on productivity, efficiency and hence, competitiveness. In terms of level of development, world-systems theory divides countries into the centre (most developed) and periphery (less developed) regions (the semi-periphery, containing Eastern Central Europe, occupies an intermediate position between the two).

The result of this is the so-called axial division of labour, which results in the gap that leads to innovation taking place in the core, while production is carried out in the periphery, usually employing capital from the center.[11] Thanks to globalisation, in the present, innovation in the centre is almost continuous and, after the introduction of new technologies, is spreading towards lower wage regions, thus consolidating this arrangement and leading to the periphery becoming locked into their[12] roles as producers. The main objective of the European Union is for its countries to enter the centre, and to achieve this, research and development must be made a priority to ensure that the Community improves its competitiveness, which in recent decades has been lagging behind its main competitors (USA, Japan and China). All this follows from the theory of the centre-periphery relationship developed by Immanuel Wallerstein, but the present paper does not deal with this in detail.

Another element generating development in our current socio-economic system is the achievement of interconnectivity (PO3). This ensures the movement of production factors, goods, data, labour and capital, but also integration into supply chains, all of which is essential for economic development. Connectivity is embodied in highways, railways, airports, bridges, internet cables, wires, electricity grids. This is the best investment at the moment; for instance, historically, the United States has seen revenues in this field twice[13] the amount of the initial investment. Research and development, innovation and even the appropriate implementation of interconnectivity are linked to knowledge and talent. In the present, and even more so in the future, knowledge becomes the most powerful engine of economic growth and development. This factor has become more important than capital, since it is knowledge – and trustworthiness, which is linked to moral standards – that attracts capital, whether it be financial or real capital. The reign of aristocracy has long ended, and the dominance of political parties that once defined

11 Wallerstein 2010.
12 Artner 2014.
13 Khanna 2017.

much of Eastern Central Europe, as well as the influence of the capitalist class, is now giving way to a new era where knowledge and talent[14] hold sway. But all this will become irrelevant if the planet on which we live becomes uninhabitable because of our irresponsible and unnatural activities. Climate change (PO2) is a natural process that can last for millennia, but the effects of human activities have accelerated it significantly over the past 150 years, causing what is known as global warming. The primary causes of global warming include greenhouse gas emissions (carbon dioxide, water vapour, methane, nitrous oxide, and tropospheric ozone), deforestation, excessive agricultural activity, livestock farming and fertiliser use. The consequences can be frightening for all living creatures on Earth, including humans. The dwindling of freshwater supplies, desertification, rising sea levels, storms and floods are to be expected if no change is made to mitigate them. Reducing the threat of climate change requires international cooperation and action aimed primarily at reducing greenhouse gas emissions and adapting to global warming. Using renewable energy sources instead of fossil fuels, reorganising agricultural activities, reducing deforestation as well as carrying out reforestation[15] are the solutions. This is why the EU's aid policy pays considerable attention to mitigating the threats of climate change.

The *European Social Fund Plus (ESF+)* is the next fund under the European Union's cohesion policy. The initial budget for the 2021–2027 budgetary period under this fund is almost €99 billion, and the total budget approved so far – including both EU grants and national contributions – is €134.482,915,323 (approximately €134.5 billion) of which EU grants amount to €89,046,016,566 (approximately €89.04 billion) and national contributions total of €45,436,898,757 (approximately €45.4 billion).

ESF+ is the most important EU instrument for investing in people. Under the policy objective (PO4) "a more social and inclusive Europe" it offers assistance in establishing businesses and accessing employment; it supports disadvantaged groups, but also aims to improve education and public services. Furthermore, it integrates priorities supported in the 2014–2020 budgetary period under the Youth Employment Initiative (YEI) and the European Fund for the Most Deprived (FEAD). Additionally, the Fund will be a key instrument for the EU's socio-economic recovery from the situation caused by the coronavirus pandemic. The negative effects of the pandemic have included increased inequalities between social groups, posing an immense challenge to healthcare and education systems and disrupting the healthy functioning of the labour market. One of the main objectives of the ESF+ is to help Member States to address these issues effectively. Furthermore, as an instrument of cohesion policy, the main missions of this Fund include achieving economic, social and territorial cohesion and, as a result, reducing disparities between Member States and regions.

In the current budgetary period (2021–2027), the ESF+ combines four funds that were separate funding instruments in the previous period (2014–2020): the most well-known is the European Social Fund (ESF), and it also includes the European Fund for the

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14 Kopátsy 2021.

15 Pénzcentrum 2023.

Most Deprived (FEAD) and the Youth Employment Initiative (YEI), as mentioned above, and the European Employment and Social Innovation Programme (EaSI).

To sum up, the ESF+ supports the principle of the European Pillar of Social Rights (20 principles in the fields of education, equal opportunities, employment, health, child protection, etc.) through its actions in the fields of employment, education, skills development and inclusion. In doing so, the fund contributes to reducing unemployment, improving the quality of training, social inclusion, gender equality, respect for fundamental rights and non-discrimination.

As a key promoter of a just and inclusive recovery, the Fund aims at:

- social inclusion: focuses on the socio-economic integration of marginalised groups, and prioritises social protection, equal access to quality services and the fight against poverty
- education and skills: support for improving training and education systems and ensuring equal access to them, while at the same time stressing the importance of retraining, upskilling and lifelong learning
- employment: ensuring quality and accessible employment for all without exception, including young people, while also placing emphasis on modernising labour market institutions and services, including gender-balanced labour market participation, and to adapt the active part of society – such as workers, entrepreneurs, businesses – to changes and new situations[16]

The ESF funding envelope for the Eastern Central European region for the last and current budgetary period can be seen in the following chart (Figure 3, data from 10/02/2023):

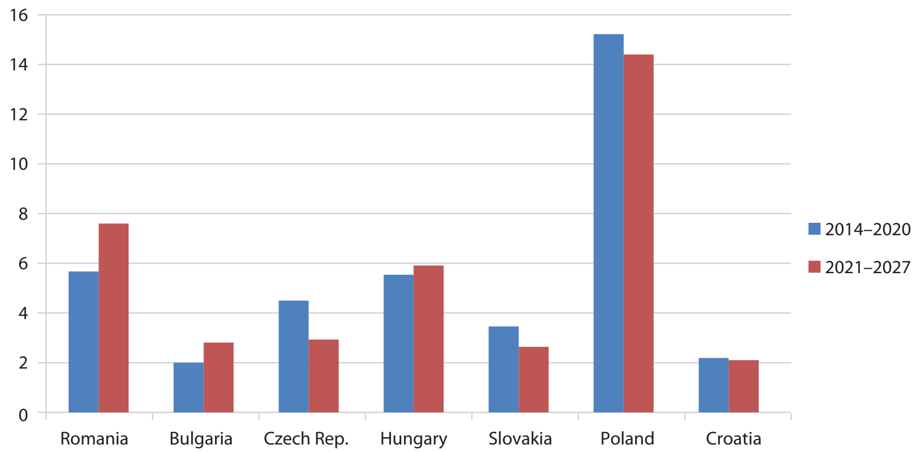


Figure 3: Total budget of the ESF by country, € billion

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/funds/esf_plus/21-7 and https://cohesiondata.ec.europa.eu/funds/esf/14-20

[16] See: https://cohesiondata.ec.europa.eu/funds/esf_plus/21-27

The most spectacular increases are in Romania and Bulgaria, with Hungary also showing a minimal increase and the other countries showing a slight decrease by 10 February 2023.

The Cohesion Fund (CF), the third fund of the European Union's cohesion policy, provides assistance to Member States whose Gross National Income (GNI) per capita is less than 90% of the EU27 average, thus contributing to strengthening their economic, social and territorial cohesion. These Member States are Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia, Slovenia, Poland, Slovakia and Bulgaria. The initial amount earmarked (for all 15 Member States together) was €36.6 billion. The current budget €49,032,940,921 (approximately €49.03 billion), which includes both EU grants and national contributions. Broken down, EU grants amount to €38,922,371,618 (approximately €38.92 billion), while national contributions €10,110,569,303 (approximately €10.11 billion). The Fund will focus on the Greener Europe (PO2) and Connected Europe (CEE) policy objectives (PO3), thus ensuring support for the environment and the Trans-European Transport Networks (TEN-T). It is expected that 37% of the CF will be used for climate change objectives.[17]

The evolution of the budget of the CF per country in the Eastern Central European region, in the last and current periods, is illustrated in the following chart (Figure 4, showing the amounts adopted for the current period until 10 February 2023).

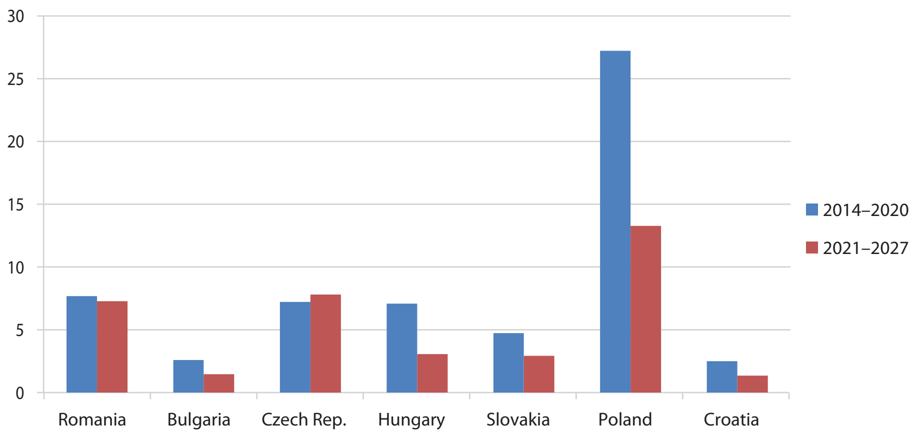


Figure 4: Total budget of the CF by country, € billion

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/funds/cf/21-27 and https://cohesiondata.ec.europa.eu/funds/cf/14-20

17 See: https://cohesiondata.ec.europa.eu/funds/cf/21-27

The fourth pillar of cohesion policy is the *Just Transition Fund (JTF),* a new funding instrument for the 2021–2027 budgetary period, with an initial allocation of €19.2 billion for all Member States. So far, €25,439,881,502 (approximately €25.44 billion) have been approved, of which EU grants total €18,206,565,271 (approximately €18.2 billion) and national contributions total €7,233,316,231 (approximately €7.23 billion).

The Just Transition Fund is the first pillar of the Just Transition Mechanism under the European Green Deal, with the primary objective of achieving climate neutrality in the European Union by 2050. The main objective of the Fund is, therefore, to facilitate the transition to climate neutrality in the areas most in need. In particular, it is intended to help regions with a high dependence on solid fossil fuels (coal, peat, oil shale) and/or carbon-intensive industries (steel, cement, chemicals) to mitigate their socio-economic impacts during the transition. At the same time, the aid is important to avoid increasing regional disparities. A so-called Just Transition Platform has been set up by the Commission to provide Member States with the support offered by the Just Transition Mechanism. The platform ensures that all stakeholders and interested parties have access to and are equipped with the knowledge, information and guidance to ensure Europe's just transition to a climate-neutral and sustainable economy. It is also a place where interested parties can get technical assistance and advice, as well as a helpdesk. Events are also organised and financial actors, social partners, business, youth organisations, working groups and transition experts have the opportunity to exchange experiences and discuss current challenges. The above-mentioned European Green Deal (EGD) has as its main objective to help tackle the challenges posed by climate change by transforming the European Union into a modern, competitive and resource-efficient economy, ensuring:

- eliminate net greenhouse gas emissions by 2050
- ensuring economic growth independent of resource use
- no one (person, territory, region) should be left behind

However, the EGD is also seen as a lifeline in recovering from the downturn caused by the coronavirus pandemic. A third of the €1.8 trillion in investment from the EU's 2021–2027 spending plan and the Next Generation EU recovery plan will fund the EGD.[18]

The approved budget of the JTF for the current budgetary period (10 February 2023) so far supports the Eastern Central European countries to the extent shown in the following figure (Figure 5, in € billions).

[18] See: https://cohesiondata.ec.europa.eu/funds/jtf/21-27

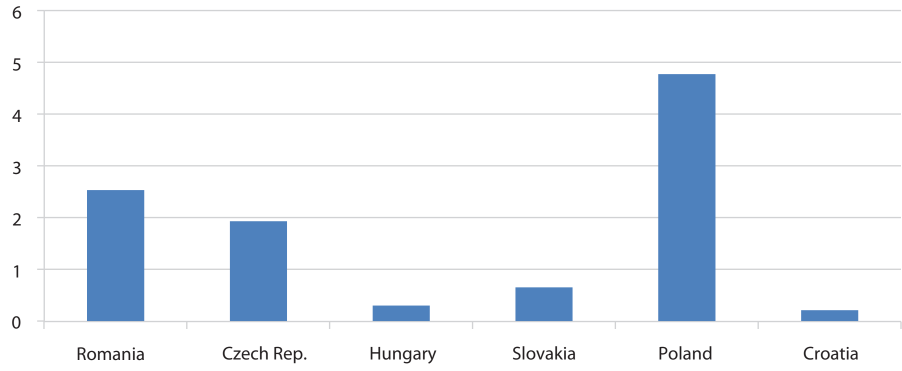


Figure 5: Total budget of the JTF by country, € billion

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/funds/jtf/21-27
Note: for Bulgaria, official data are not yet published.

Last but not least, and by no means least mentioned in this study, *Interreg* is the instrument that promotes the European Union's cohesion policy. This European Territorial Cooperation covers three EU funds for the 2021–2027 budgetary period, as follows:[19]

- a part of the ERDF (the European Regional Development Fund analysed above), which targets territorial cooperation and supports cross-border, transnational, interregional and cooperation programmes with a budget of around €9 billion
- support for cooperation under the Instrument for Pre-Accession (IPA) with a budget of €401 million
- supporting cooperation under the Neighbourhood, Development and International Cooperation Instrument (NDICI) with a budget of €611 million

One of the main objectives of the European Union as a community is to promote cooperation between the regions within its territory, thus contributing to their socio-economic development, while at the same time achieving the interoperability of borders. This is, in fact, made possible by the European territorial cooperation (Interreg), which is a multifaceted support instrument with the following cooperation components: cross-border (Interreg A), transnational (Interreg B), interregional (Interreg C) cooperation between the outermost regions (Interreg D).

For the current budgetary period, Interreg has seven cohesion policy priorities, five of which are the policy objectives (PO1–PO5) described in detail above, but also two new specific objectives:

- Interreg specific objective (ISO) 1: better governance for cooperation (capacity building of public administrations, legal and administrative accessibility, development of sustainable democracy, etc.)
- Interreg Specific Objective (ISO) 2: A safer and more secure Europe (border management, social inclusion, mobility, migration, employment, equal opportunities, etc.)

[19] See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

We should take into account the principle of embedding cooperation, which states that there should be more synergies between Interreg programmes, other cooperation platforms and other EU support programmes, as cooperation is at the heart of the European Union. However, this principle also means that any programme supported by the ERDF should also support cooperation activities.[20]

Allocated resources by objectives

In the previous part of the study, the funding funds and instruments established for the EU budgetary period 2021–2027 have been presented separately, highlighting the guidelines and policy objectives in each case. However, the European Commission has also adopted a different approach to these funds, grouping them from a different angle and presenting the initial budget allocations in each case. Importantly, these figures represent the initial EU allocations before the funds are transferred. The total initial budget allocated to the implementation of the EU's cohesion policy in the current budgetary period is €392 billion, all in all.

The Commission uses the following grouping of aid funds:

- Investment for jobs and growth goal (IJG) category, which includes the following funds:
  - European Regional Development Fund
  - European Social Fund +
  - Cohesion Fund
  - Just Transition Fund, the new fund for the current period
- Interreg: European Territorial Cooperation
- Commission managed EU instruments and Technical Assistance

The IJG breakdown is specific to the current (2021–2027) budgetary period and includes the above-mentioned funds, with the addition of the Next Generation and Rural Development funds (the latter two are not covered in the current study, but only mentioned). In the previous budgetary period (2014–2020), these were the so-called ESIF funds (European Structural and Investment Funds), which included the ERDF, ESF, CF, EAFRD, EAFRD, EMFF. The so-called "Cohesion Policy" included ERDF, ESF, CF, YEI (Youth Employment Initiative).

Of the total amount for the current budgetary period, €11.3 billion is earmarked for the Connecting Europe Facility and €2.5 billion for instruments managed by the Commission and technical assistance. This leaves a total (EU-wide) allocation of €378.2 billion to support IJG and Interreg[21] objectives.

20 See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

21 See: https://cohesiondata.ec.europa.eu/stories/s/2021-2027-EU-allocations-available-for-programming/2w8s-ci3y

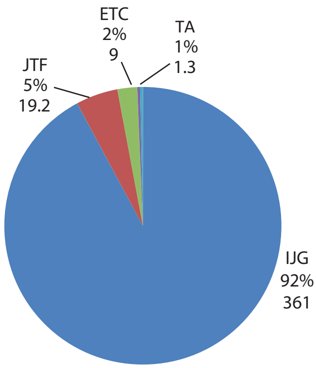


Figure 6: Breakdown of the EU budget, expressed as a percentage and in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/stories/s/2021–2027-EU-allocations-available-for-programming/2w8s-ci3y

Note: less than 1% for EUi (EU instruments) (not shown in Figure 6).

In Figure 6, you can see how much is earmarked for each category in this grouping (expressed as a percentage) for the current budgetary period 2021–2027. It should be noted that, although the JTF fund falls under the IJG category, it is still shown separately in the statement used by the Commission, probably indicating its paramount importance and that it is in fact a completely new funding instrument for the current budgetary period.

Figure 6 is covering the total initial EU envelope, expressed in € billions at current prices.

Note that the Commission's statement does not include TA and EU funds broken down by country, as these are specifically used by the EU body in order to ensure the proper functioning of the aid scheme.

In the Commission's breakdown, as already mentioned above, the IJG grouping includes the combination of the European Regional Development Fund / European Social Fund+, the Cohesion Fund, and the Just Transition Fund, totalling €369 billion.

It is important to note that, under Commission Implementing Decision (EU) 2021/1131, the initial statements are presented both as ERDF/ESF+ combined allocations by region and category of region, and as separate ERDF and separate ESF+ allocations.

For the 2021–2027 budgetary period, the legislation allows for transfers between EU funds and regional categories. These transfers can be made when Member States' partnership agreements and national or regional programmes are amended and approved.

At EU level, the IJG includes the following proportions (expressed as a percentage) for the allocation of funds (see Figure 7).

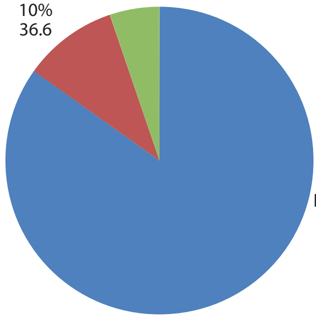


Figure 7: Breakdown of IJG, expressed as a percentage and in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/stories/s/2021–2027-EU-allocations-available-for-programming/2w8s-ci3y

It should be noted that the European Union classifies the regions of the Member States (NUTS 2 regions) into the following three categories according to their level of development:

- less developed category: GDP/capita at less than 75% of the EU27 average
- transition regions: GDP per capita in the range 75%–100% of the EU27 average
- more developed regions: GDP per capita is higher than the EU27 average

In this grouping, the European Territorial Cooperation, so far referred to as Interreg funds in the study, is the next category.

The ETC is made up of the following grant funds:[22]

- the part of the European Regional Development Fund (ERDF-ERDF) earmarked for this purpose (territorial cooperation – ERDF Interreg), representing an initial allocation of €9 billion at EU level, following the breakdown (already described in detail):
  - Cross Border Cooperation (ETC CBC)
  - Transnational Cooperation (ETC TC)
  - Interregional Cooperation (ETC IC)
  - Outermost Regions Programme (ETC O)
- Instrument for Pre-Accession (IPA) with a budget of €401 million for the current budgetary period
- Neighbourhood Development and International Cooperation Instrument (NDICI) with a budget of €611 million for the current budgetary period

The following chart (Figure 8) shows the distribution of the ERDF funds at EU level (i.e. IPA and NDICI funds are not included in the following statement).

[22] See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

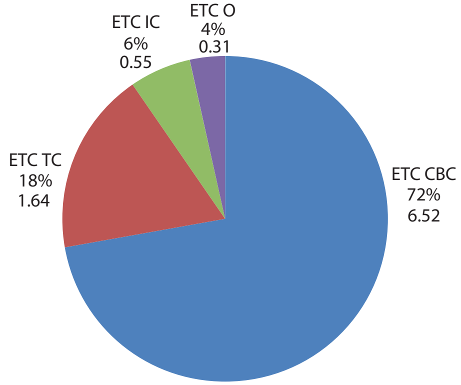


Figure 8: Allocation of territorial cooperation funds, expressed as a percentage and in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/stories/s/2021–2027-EU-allocations-available-for-programming/2w8s-ci3y

In addition to these, there is a so-called EU Initiatives instrument with a budget of €1.2 billion at EU level, which includes the following three instruments managed by the Commission:[23]

- Interregional Innovation Investments with a budget of €563,522,929 (47% of the three)
- European Urban Initiative with a budget of €450,818,341 (37%)
- ESF Transnational Cooperation with a budget of €197,233,025 (16%)

The differences between the previous and the current budgetary period are given below, while the first half of the third question asked in the abstract is answered, namely: "How have the funds changed compared to the previous budgetary period?"

2014–2020 budget period. ESIF funds: ERDF, ESF, CF, European Agricultural and Rural Development Fund, European Maritime and Fisheries Fund; *Cohesion policies:* ERDF, ESF, CF, YEI (Youth Employment Initiative); *Policy objectives:* research and development, competitiveness, low carbon emissions, crisis management and resilience, network infrastructures in transport and energy supply, environmental protection, social inclusion, information and communication technologies, education and professional training, adaptation to climate change and risk prevention, sustainable and quality employment, efficient public administration, support for sparsely populated areas, technical assistance.

2021-2027 budget period. IJG funds: ERDF, ESF+, CF, JTF (Just Transition Fund, new for the current period). It can be observed that Rural Development is to be treated as a separate fund here; *Cohesion policies:* ERDF, ESF+, CF, JTF, Interreg. In order to get a complete picture, it is necessary to mention the so-called "other funds", as well as

[23] See: https://cohesiondata.ec.europa.eu/funds/interreg/21-27

the Next Generation and Rural Development funds (this study deals with these only at the mention level); *Policy objectives:* A more competitive and intelligent Europe, A greener Europe, A connected Europe, A more social Europe, A Europe closer to its citizens.

Overlaps that show which are Europe's most pressing problems (these are the most supported): competitiveness, connectivity, climate change, education.

Eastern Central European comparison

So far, the aid funds and instruments for the 2021–2027 budgetary period are presented in aggregate at EU level. The comparison is made between Romania, Bulgaria, Hungary, Slovakia, the Czech Republic, Poland and Croatia, taking into account the total aid envelope over a seven-year period, the aid amounts per capita, the GDP per capita and infrastructure development (measured in kilometres of motorways).

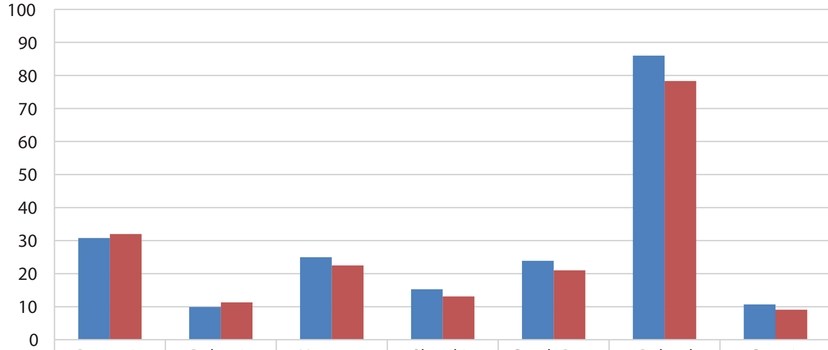
The aid per capita indicator was chosen because it offers a realistic overview of the level of EU aid, as there are significant differences between the countries compared in terms of territorial coverage and population. A realistic comparison of the aid levels in the countries identified in the paper is one of the main objectives of the study. I have chosen GDP per capita and wages because I believe that they are an indication of the level of development and the living standards of a country's population, and comparing them with aid levels can provide valuable conclusions that can be used to develop further research. Finally, transport infrastructure makes a major contribution to a country's level of development by ensuring the rapid and safe flow of capital, labour and goods, by facilitating interconnectivity with international supply chains and, not least, by attracting foreign capital investment.

In the following, we will answer the second part of the third question formulated in the abstract, namely, how have the countries of Central and Eastern Europe benefited (and are benefiting at the time of writing) from the funds? At the same time, a comparison between the countries identified (in terms of the indicators selected) will be presented.

The objective of the comparison is to provide a comprehensive assessment of the developmental status and the extent of European aid received by the former communist countries of Central and Eastern Europe. The Central and Eastern European region includes Poland, the Czech Republic, Slovakia and Hungary, but also Romania and Croatia.[24] However, the study also includes Bulgaria in the comparison, as it joined the European Union at the same time as Romania, and I have always found it interesting to compare the performance of the two countries.

A comparison of the seven countries analysed for the two full budgetary periods (2014–2020, 2021–2027), specifically for the IJG-ESIF (it was mentioned at the beginning of the study that the analysis focuses on these funds, this includes ERDF, ESF+, CF and JTF, but excludes Rural Development, Reconstruction and Resilience [Next Generation] etc. funds), is presented in the following chart (Figure 9, in € billions).

[24] See: https://hu.wikipedia.org/wiki/Kelet-K%C3%B6z%C3%A9p-Eur%C3%B3pa



	Romania	Bulgaria	Hungary	Slovakia	Czech Rep.	Poland	Croatia
2014–2020	30.8	9.9	25	15.3	23.9	86	10.7
2021–2027	32	11.3	22.5	13.1	21	78.3	9.1

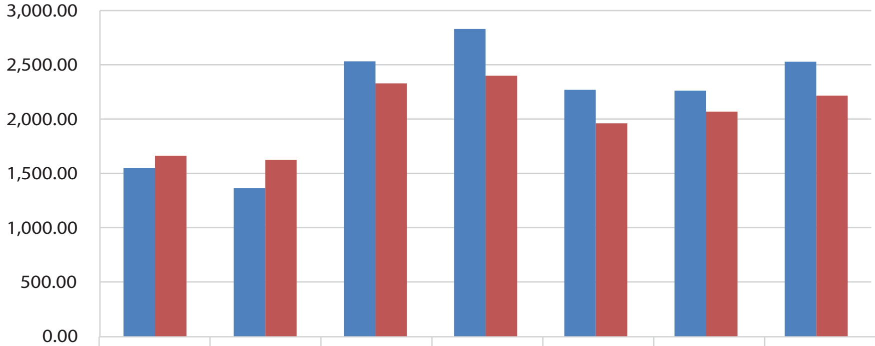
Figure 9: Total budget of the IJG-ESIF funds by country, in € billions

Source: compiled by the author based on https://cohesiondata.ec.europa.eu/countries/14-20 and https://cohesiondata.ec.europa.eu/countries/21-27

The values in Figure 9 are from 10 April 2023, but it is important to point out that they are constantly being updated (these data are changing continuously). Furthermore, it is important to note that the figures in the table represent the approved budget for the period of 2014–2020, only reflecting the planned figures for the subsequent period of 2021–2027 (again, it should be stressed that we are using data from 10 April 2023).

As shown in Figure 9, there are significant differences between the countries analysed, and differences in values will also be observed for the other indicators analysed (aid/capita, GDP/capita, wages, infrastructure). These differences may be due to a number of factors, such as differences in development, political stability, effectiveness of foreign policy, differences in population and territory, differences in absorption rates and competitiveness. My study deals with the correlations between the indicators analysed, without addressing differences in the values of individual indicators; in-depth analysis and exploration of the factors causing their divergence could be the subject of a separate study, but are not within the scope of this paper.

The analysis shows that all countries except Romania and Bulgaria have seen a decrease in their allocations in the current period compared to the previous period (but only for traditional Structural and Investment/Cohesion Funds – IJG funds in the current period, this statement does not include Next Generation and Rural Development funds). However, it is also clear that there are huge differences between countries, which is not surprising given the territorial and population differences, and a realistic basis for comparison is the value of aid per capita (in €), as shown in the following chart (Figure 10).



	Romania	Bulgaria	Hungary	Slovakia	Czech Rep.	Poland	Croatia
2014–2020	1,548.00	1,363.00	2,532.00	2,830.00	2,270.00	2,262.00	2,529.00
2021–2027	1,663.40	1,626.26	2,329.11	2,399.42	1,960.97	2,068.88	2,216.66

Figure 10: Aid values per capita, in €

Source: compiled by the author based on https://www.worldometers.info/population/countries-in-europe-by-population/, https://cohesiondata.ec.europa.eu/countries/14-20 and https://cohesiondata.ec.europa.eu/countries/21-27

2020 population[25] figures are used for calculations. The data here are also from 10 April 2023.

The analysis shows that if we count the support per capita, although much smaller, there are still differences, if we rank the countries, Slovakia is definitely at the top of the list, followed by Hungary and Croatia, then Poland, the Czech Republic and at the very end, Romania and Bulgaria.

Aid is significantly higher in the current budgetary period if the Next Generation Instrument and the Rural Development Fund are taken into account, but this study only deals with the traditional Structural and Cohesion Funds (IJG).

Next, I will examine whether there is a correlation between the amount of aid per capita and real GDP per capita, the average wage (salary) and infrastructural development (I measured this in kilometres expressed as the length of motorways).

The annual GDP per capita per country is shown in the following chart (Figure 11, in €, latest available data for 2022).

[25] See: https://www.worldometers.info/population/countries-in-europe-by-population/

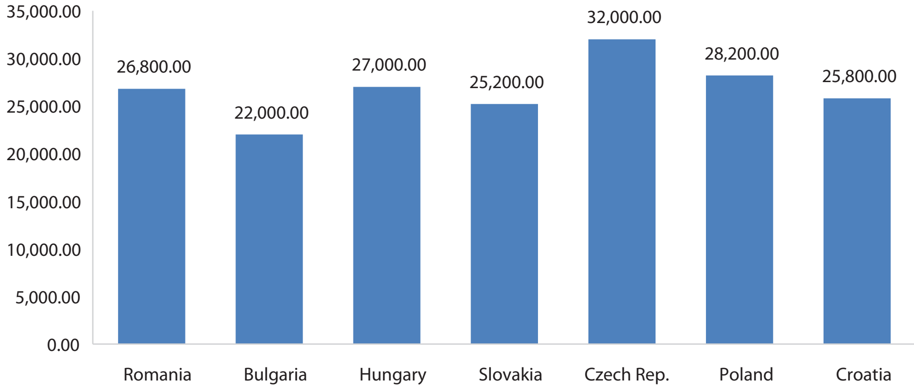


Figure 11: Purchasing power adjusted GDP per capita by country, in €

Source: compiled by the author based on https://ec.europa.eu/eurostat/databrowser/view/sdg_10_10/default/table?lang=en

The breakdown of average full-time adjusted earnings per employee by country is shown in Figure 12 (expressed in €, the latest available data for 2022).

In terms of transport infrastructure development, we have taken into account the length of motorways, which are the highest quality, safest and fastest infrastructure network for passenger car and land freight transport (apart from railways). The rationale for the inclusion of transport infrastructure is given earlier in this paper. The following figure (Figure 13) shows the length of motorways by the Eastern Central European countries compared in the study (based on the latest available 2022 data).

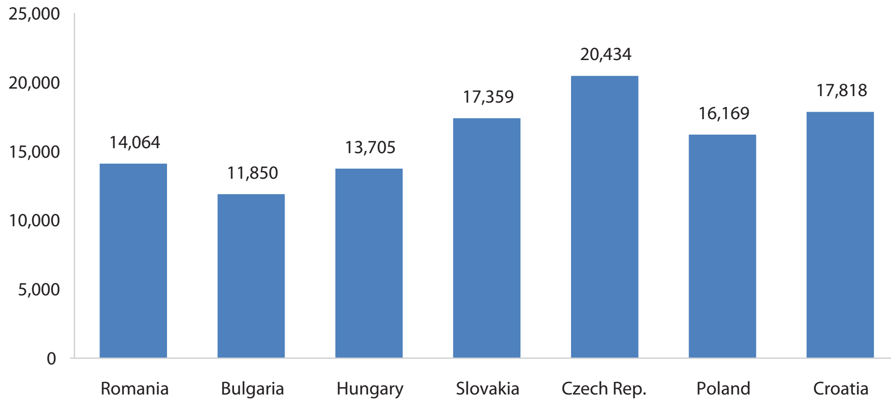


Figure 12: Average full time adjusted salary per employee by country, expressed in €

Source: compiled by the author based on https://ec.europa.eu/eurostat/databrowser/view/nama_10_fte/default/table?lang=en

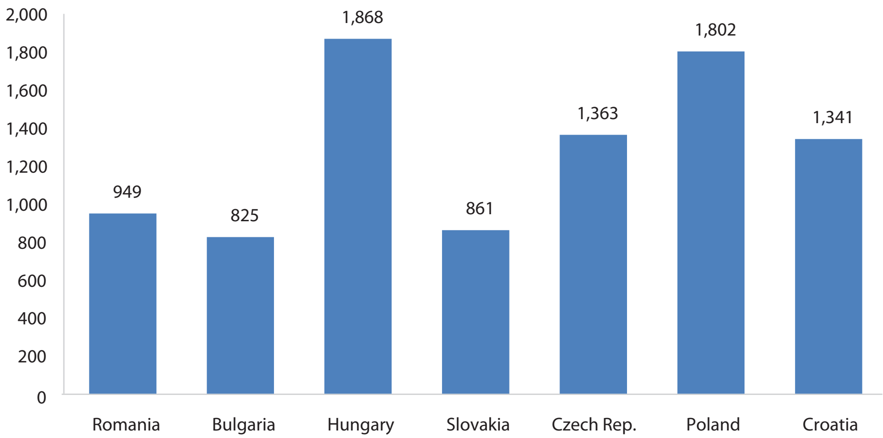


Figure 13: Length of motorways by country, expressed in kilometres

Source: compiled by the author based on UNECE 2021 and https://w3.unece.org/PXWeb/en/Table?IndicatorCode=50

A comparison of Figures 10, 11, 12 and 13 shows that Bulgaria is the worst performer in terms of overall data, but Hungary and Romania are also among the last performers in terms of wages. In terms of infrastructure (the length of motorways), Hungary, Poland and the Czech Republic are the best performers in this comparison. In terms of GDP per capita and wages, the Czech Republic is clearly in the lead; yet in terms of subsidies per capita it lingers at the bottom, ahead of only Romania and Bulgaria.

Figure 11 and 12 also show that GDP per capita and wages are moving in the same direction (with the exception of Hungary), demonstrating that economic development affects wage levels.

In terms of aid per capita (over the whole budgetary period), Bulgaria and Romania have the lowest values, but also the lowest economic performance, and Slovakia, Hungary and Croatia are the top performers. At the other end of the pole, the Czech Republic has the lowest aid relative to economic performance (explained by its high level of development), with the other countries analysed falling between the two poles. From these cases, a logical conclusion can be drawn (as a result, in my opinion) that the lower the performance of an economy (in terms of economic indicators), the higher the aid per capita (as it needs aid to develop), and vice versa, i.e., the higher the performance of an economy, the lower the aid per capita. However, this correlation is rendered invalid when it comes to Romania, Hungary and Slovakia, as for the former, a higher amount of aid per capita in proportion to its economic performance would be justified, while for the latter two, if this derivation is strictly applied, the aid should be (proportionally) lower. The continuation of my research is aimed at identifying and analysing these influencing factors and exploring the correlations between them.

Summary and results

The European Union's IJG funds for the current budgetary period (2021–2027) include the European Regional and Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), the Interreg instrument (which supports European territorial cooperation) and, new for the current period, the Just Transition Fund (JTF). Although not covered in the current study, the so-called Other Funds, the Next Generation Instrument and the Rural Development Fund are part of the funding scheme. The other funds include: Asylum, Migration and Integration Fund, Border Management and Visa, Internal Security Fund, European Maritime, Fisheries and Aquaculture Fund. Next Generation is a temporary support instrument designed to provide appropriate support to socio-economic areas affected by the pandemic.

Looking at the structure of the traditional Structural and Cohesion Funds (now the IJG Funds) in the current period, we can observe that there is an overlap in the main guidelines compared to the previous budgetary period. This demonstrates that Europe's main outstanding issues continue to be supported at the EU level. The policy objectives of the ERDF, the main pillar of the funding scheme, although sometimes reorganised or merged, continue to support the same main guidelines as in the previous period: a more competitive and smarter, greener, connected, more social Europe, closer to its citizens. The ERDF envelope has increased for all of the countries analysed in the study, with the exception of the Czech Republic, where it has decreased, and Slovakia, where there has been no change. The European Social Fund Plus (ESF+) focuses on the following funding objectives: social inclusion, education and skills support and employment. A notable development in the current period is the transformation of the fund into a significant catalyst for recuperating from the repercussions of the pandemic, particularly from a social standpoint. Compared to the countries of the Eastern Central European region, the Fund's allocations have increased for Romania, Bulgaria and Hungary in the current budgetary period, with Poland having the largest allocation in absolute terms. The CF has traditionally supported major infrastructure investments in this period, while also addressing environmental challenges. In an Eastern Central European comparison, countries receiving the most aid in the current period are Poland (which also shows the largest decrease in this period compared to the previous one), the Czech Republic and Romania, with a slight decrease for the remainder. A new feature of the current budgetary period is the Just Transition Fund (JTF), with the primary aim of supporting the transition to climate neutrality in the most vulnerable areas (carbon-intensive, fossil fuel-dependent). In the Eastern Central European region, the countries receiving the most support are Poland and Romania, while the least supported ones are Hungary and Croatia, no currently available data for Bulgaria (no data has been published until the date of the manuscript was written). European Territorial Cooperation is supported by the so-called Interreg, which is not a separate fund but rather a support instrument, as approximately 90% of its funding comes from the ERDF fund mentioned above (the remainder is provided by the IPA and NDICI funds mentioned in the Interreg section). It is important to underline that the figures shown in the study only refer to the traditional Structural and Investment/Cohesion Funds (Investment in Jobs and Growth – IJG funds in the current budgetary period, including ERDF, ESF+, CF and JTF, as well as the Interreg support instrument) and do not include the Next Generation and Rural Development funds.

Overall, Poland will receive the most aid in the current budgetary period, with almost €80 billion, followed by Romania with €32 billion, and Croatia the least, with just over €9 billion. The other countries' allocations are in the range of these amounts, ranging from approximately €11 billion to €22.5 billion. The values have changed somewhat, but the order of eligibility was the same in the previous budgetary period as in the current one. However, as there are significant variations in territory and population between countries, the aid per capita figures provide a more realistic overview. An examination of the subsidy/head values shows that the differences are much smaller and the values become more balanced. In this respect, Slovakia is the most supported country with a value of € 2,399.42 grant per capita (for the whole current budgetary period), followed closely by Hungary with €2,329.11 grant per capita. The lowest grant per capita is in Bulgaria with only €1,626.26. The other countries are mid-range with between €1,660 and €2,216 per capita.

The grants presented refer to the IJG funds (in the previous period they were structural and investment/cohesion funds), other funds are not covered in this study (only referred to).

In terms of GDP per capita, the Czech Republic is clearly the best performer with €32,000 (for 2022), followed by Poland with €28,200 and Bulgaria the worst performer with only €22,000. The other countries analysed have values between €25,800 and €27,000 per capita.

The average full time adjusted salary per employee, follows GDP per capita almost in parallel, demonstrating the correlation between economic performance and wage levels. In this respect, the Czech Republic is also in first place with a value of €20,434 (2022 data), Bulgaria is last with €11,850, and the other countries have values between €13,705 and €17,359. On the basis of these data, if we make an aggregate ranking, we can observe that on average the Czech Republic and Poland perform best, while Bulgaria and Romania perform worst, the other countries being in the middle (for the Eastern Central European countries analysed). If we measure infrastructure development in terms of the length of motorways, Hungary is the best performer, with 1,868 km, followed by Poland with 1,802 km, and Romania (949 km), Slovakia (861 km) and Bulgaria (825 km) are the worst performers.

The study suggests that the performance of the economy (in terms of macroeconomic indicators) is related to the level of EU subsidies (inversely proportional by logical deduction), but not exclusively. The foreign policy of Member States, their bargaining power, their absorption rates in previous periods and their corruption levels also play a significant part in the allocation of aid.

STUDY

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