Post-2027 Cohesion Policy for All
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 on. 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.\(^{10}\)

\(^9\) 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. 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. 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. 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. 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. 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

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17 European Commission 2023: 2.
18 European Commission 2022.
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 Randstad 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

²² European Commission 2017b.
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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{28} Firstly, the lagging concept should be divided into lagging (whose progress in GDP growth is slower

\textsuperscript{24}DIJKSTRA et al. 2020; MACKINNON et al. 2022.
\textsuperscript{25}DIEMER et al. 2022; European Commission 2022; European Commission 2023.
\textsuperscript{26}DIEMER et al. 2022: 488.
\textsuperscript{27}IAMMARINO et al. 2019: 283–284
\textsuperscript{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”

<table>
<thead>
<tr>
<th>Concept</th>
<th>Categories</th>
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<tbody>
<tr>
<td><em>Cohesion Policy</em></td>
<td>Less developed regions</td>
</tr>
<tr>
<td>Lagging regions</td>
<td>Low-income regions</td>
</tr>
<tr>
<td><em>Regional development trap</em></td>
<td>Trapped regions or at risk of falling one</td>
</tr>
<tr>
<td><em>Left behind</em></td>
<td>Left behind regions</td>
</tr>
<tr>
<td><em>Catching-up</em></td>
<td>Catching-up regions</td>
</tr>
<tr>
<td><em>Catching-up</em></td>
<td>More developed regions</td>
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<tr>
<td></td>
<td>Transition regions</td>
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<tr>
<td></td>
<td>Low-growth regions</td>
</tr>
<tr>
<td></td>
<td>Trapped regions or at risk of falling one</td>
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<tr>
<td>Source: compiled by the author based on PILATI–HUNTER 2020: 19.</td>
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</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Spatially-blind policies</th>
<th>Place-based policies</th>
</tr>
</thead>
<tbody>
<tr>
<td>National focus</td>
<td>Territorial focus</td>
</tr>
<tr>
<td>Unfettered markets</td>
<td>Tailor-made support for places</td>
</tr>
<tr>
<td>Labour mobility</td>
<td>Labour embeddedness</td>
</tr>
<tr>
<td>Large cities</td>
<td>Dispersed growth based on different territorial capitals</td>
</tr>
<tr>
<td>Agglomeration effects, urban density, growth-poles</td>
<td>Balanced and harmonious development</td>
</tr>
<tr>
<td>Dispersion of policies and expenditures seen as a risk for growth</td>
<td>Inequality seen as a risk for growth</td>
</tr>
</tbody>
</table>

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. 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. 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.

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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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.\textsuperscript{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).

\textsuperscript{33} IAMMARINO et al. 2017: 27.
\textsuperscript{34} MARTIN et al. 2021: 89.
\textsuperscript{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.
\textsuperscript{36} ARTELARIS–MAVROMMATIS 2020: 211.
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

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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. 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 two 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. 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

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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. 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.

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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. 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, REPoverEU 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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