European Cohesion Policy

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Abstract The European Cohesion Policy is the largest and most complex policy of the European Union. As it is a policy focused on reducing the intra-EU gaps in development, the Cohesion Policy is particularly relevant for less developed economies and regions, where it has a key contribution to stimulating economic competitiveness and accelerating growth, boosting and spreading the positive effects of the internal market. In this chapter we aim to introduce a theoretical foundation for public interventions on cohesion in the process of European integration, as well as to explain the system of Cohesion Policy coordination, regulation and implementation, to present critically its impact on the European economy and explain the way in which Structural and Investments Funds contribute to and may be used for business sector development in the European Union.

Key points of the chapter:

- *Understand the relationship between economic growth and disparities dynamics and the importance of reducing disparities for the integration process;*
- *Understand the basic concepts related to Cohesion Policy and use them correctly in their own analyses and interpretations;*
- *Understand the Cohesion Policy governance system; get familiar with the system of structural and investment funds and how they work within Member States and their regions;*

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- *Acquire new competences of working with official statistical databases and gain new knowledge on how to capitalize on the European sources of information on Cohesion Policy.*

1 Introduction

The interest in cohesion as a priority of the political agenda of the European Union started in the 80s against the background of the growing development gaps after the Southern enlargement, but also due to the impact of the internal market. In that context, there was general agreement at the policy-making level that the functionalist integration method of the Treaty of Rome (EU 1957), based on the liberal theories could no longer provide the answers needed for a Community that was more and more integrated though more structurally diversified compared to the Community of its founders. Consequently, the Single European Act (SEA) (EU 1986/1987) has institutionalized cohesion as a political priority at European level, the decrease of economic and social disparities becoming since then one of the main goals of the EU. The general agreement was that the convergence needed to achieve the internal market and deepen European integration by an economic and monetary union, could only be the result of a complementarity between free market mechanisms (specific to the internal market) and public interventions aimed to reduce disparities by supporting endogenous growth in less developed regions.

Following the SEA, the set of interventions for reducing the disparities was integrated into a unitary system of action giving content to a new European policy—*Cohesion Policy (CP).* The CP was implemented in the framework of multi-annual "packages" of structural interventions in accordance with the Multiannual Financial Frameworks of the EU; it has reached the 5th structural package for 2014–2020, while each intervention package has practically turned into a new reform intended to constantly increase the efficiency and effectiveness of interventions. The CP has evolved from a distributive logic to the one based on development, from a nominal to a real approach towards convergence, based on a continuous process of adaptation to each stage of integration (considering both the conditionalities for deepening integration, as well as those specific to the enlargement waves) and also to the dynamics of the EU's strategic goals.

The importance given to cohesion in European policies was initially justified by the principle of solidarity, so as to compensate fot the eventual losses of less developed economies due to internal market mechanisms. Consequently, the CP had a redistributive role. As theories of growth and development evolved, it was though clear that the existence of disparities generates a sub-optimal allocation of resources, with disintegration risks for the whole EU system, through their destabilisation effects upon the internal market and the Economic and Monetary Union and due to entailed political risks (break-down of consensus). Disparities are limiting economic growth, while generating distortions on the market through anti-competitive practices and/or dumping, and thus they may alter European solidarity as a key integration process conditionality (Buzelay 1996; Dragan et al. 2013). As a consequence, the reduction of disparities became not only a social (unequal distribution of benefits generated by the

internal market) or political issue (solidarity, common interest), but also an economic challenge affecting the functionality and effectiveness of the internal market, as a main system of economic integration and welfare growth in the Member States. So, besides redistribution, the Cohesion Policy gained a structural dimension, and became the main investment policy of the European Union.

Without any relevant theoretical developments in the field, cohesion puts together two concepts: the nominal convergence (using such variables as GDP/inhabitant, income, inflation, public debt, other) and the real convergence (production and trade structures, employment, productivity, human capital, living conditions, environmental quality, governance models, other). From this perspective, it is important to remember that the objective of cohesion does not pretends to eliminate disparities but aims to reach a level of convergence when "disparities in social and economic welfare among different regions or groups of the Community are politically and socially tolerable" (Molle 2001, p. 395). Also, the literature separates the economic dimension from the social and territorial ones (EPRC 2001), though they are being brought together under the CP system (economic, social, territorial[1]), the reduction of disparities operating on several levels of action: individual (by creating, for example, equal opportunities for citizens, irrespective of the state they belong to; by reducing disparities related to quality of life and degree of compliance with fundamental rights and freedoms); among countries and regions (on different spatial levels set up by the so-called *Nomenclature of Territorial Units for Statistics*—NUTS[2]); among urban/peri-urban and rural areas (by their association with the Common Agricultural Policy); in the intra-urban area (urban development).

Nowadays, the CP is not only the most important policy supporting the least performing countries or regions in the EU, but it is also aimed to contribute to the EU2020 Strategy's goals for smart, inclusive, and sustainable growth (Europe2020—European Commission 2010). The central pillar of cohesion instruments are the structural and investment funds (ESIF), which account for 43% of the EU budget allocations for the programming period 2014–2020 (compared to only 25% during 1988–1993); important amounts invested in the Member States as co-financing have also been added.

2 Why Do We Need a Cohesion Policy in the EU?

In essence, as any public policy, the European Cohesion Policy is an answer to the so-called market "failure" in the sense that the internal market either cannot generate the anticipated/expected growth and welfare effects, as a result of the

[1]The territorial dimension was added to the Treaty of Lisbon (TFEU) (EU 2007) that reconfirmed the cohesion as the priority aim for the European policies and the policies of other member States.

[2]The NUTS system was adopted in order to ensure harmonisation with the European regional statistics and to facilitate the cohesion policy implementation. More information at: http://ec.europa.eu/eurostat/documents/3859598/6948381/KS-GQ-14-006-EN-N.pdf

economic integration process, or its effects occur, but are not fairly distributed and/or produced over an acceptable period of time (socially and politically).

Being for a long time focused on a redistributive function supporting convergence among member states and regions, the CP has gradually become an integrated policy adopting the three distinctive functions of public policies (Begg 2016): an allocation function (to strengthen the market role in allocating resources efficiently), a redistributive function (favouring the less performing economies and actors in order to reduce disparities) and a macroeconomic stabilization function (in order to enhance resilience and reduce the risks linked to the instability effects induced by inequalities).

2.1 Internal Market, Growth and Disparities

In spatial terms, the economy of the European Union reflects an unequal distribution of economic activities. Inequalities may be generated by the integration process as such (free markets tend towards industrial and spatial agglomeration) and/or be the result of the initial conditions of the participating countries. For example, after the enlargement to the South, the population of Greece, Spain and Portugal (1980) grew by 22% of the EU9, while the GDP grew only by 10% compared to average European GDP (14% PPC), one out of five Europeans within the EU12 had an income of 30% of the EU average compared to one out of eight in the case of the EU9. The EU enlargement to Central and Eastern Europe (CEE) highlighted even more the centre-periphery differentiations by an unprecedented surge in disparities. This time, the population of the EU grew by 28% of EU15, while the GDP grew by only 5% (11% measured in terms of purchasing power parity) with a decrease of the average GDP by 12.5% and a doubling of regional gaps. In 2013, 25% of the EU population was living in regions with a GDP/capita lower than 70%, while 10% of population was affected by severe material deprivation. Nevertheless, despite the convergence process that occurred after the accession of CEE countries, the disparities have remained high (Table 1).

At national level, the ratio of extreme differences in GDP/capita (PPPs) was 1:4 in 1995 (EU15), then it steadily decreased until 2015 with a slowdown of the convergence pace due to the economic crisis (see Table 1). At regional level, the differences are even higher (Table 2). Considering the ratio between top and bottom 10% ranked regions, the disparities are 1:4 in GDP/capita, and 1:8 in unemployment and productivity.

As we have mentioned above, economic disparities are a source of instability generating inefficient use of resources and reducing internal market potential to produce wealth. Additionally, disparities may raise the questions of European project viability, considering that the treaties were meant by the Member States since the beginning of the EU for a “harmonious development of its territory” for “economic and social cohesion” and for a “convergence of economic performance”. Furthermore, the attractiveness of the European Union for its member

Table 1 GDP/capita dynamics, 1995–2015 (EU15=100%), current prices

	1995	2000	2005	2008	2011	2015
EU28	86	86	88	90	91	92
EU15 most developed countries						
Austria	112	112	112	112	117	118
Belgium	107	107	107	104	109	109
Denmark	108	109	109	113	117	117
Finland	93	102	103	109	107	101
France	99	100	98	96	99	98
Germany	113	105	104	106	112	114
Italy	106	103	96	96	95	89
Luxembourg	188	212	216	234	240	243
Netherlands	110	120	119	125	121	118
Sweden	108	112	109	114	115	114
United Kingdom	96	99	103	99	96	100
EU15 less developed countries						
Greece	73	74	82	84	69	63
Ireland	90	115	130	121	120	163
Portugal	68	72	45	73	59	71
Spain	77	82	89	91	84	83
EU12, 2004 enlargement						
Cyprus	81	81	89	95	87	75
Czech Republic	65	61	70	76	76	81
Estonia	30	36	53	62	65	69
Hungary	43	45	55	56	60	63
Latvia	26	31	44	53	52	59
Lithuania	28	32	47	57	60	69
Malta	66	70	71	72	76	81
Poland	37	41	45	50	59	63
Slovakia	41	43	53	64	68	71
Slovenia	65	69	77	81	76	76
EU12, 2007 enlargement						
Bulgaria	28	24	33	39	41	43
Romania	26	22	31	45	48	53
2013 enlargement						
Croatia	37	41	49	57	55	53
Max/Min rate (without Luxembourg)	1:4.04	1:5	1:3.9	1:3.2	1:2.9	1:3.8[a]

Notes: EU12 aggregate refers to countries that accessed to the EU in 2004 and 2007
Source: Authors' representation based on Eurostat database (2017a)
[a]The growth of disparities is explained by the explosive evolution of GDP in Ireland. The exclusion of Ireland leads to a ratio 1:2.7

states and their citizens is given mainly by the added value in terms of prosperity and the acceleration of convergence.

Although it has been fragmented by successive enlargements and various crises, the dynamics of European economies confirms a general process of long-term

Table 2 Regional disparities within the EU, 2000–2015

GDP per capita (% EU average)	2000	2007	2015
Regions analysed	265	276	274
Average top 10% regions	186.17	184.80	189.38
Average bottom 10% regions	31.42	38.89	46.69
Ratio	1:5.92	1:4.75	1:4.06
Unemployment rate			
Regions analysed	233	266	275
Average top 10% regions (% EU average)	20.60	15.27	24.89
Average bottom 10% regions (% EU average)	2.49	2.69	3.00
Ratio	1:8.27	1:5.67	1:8.31
Labour productivity			
Regions analysed	213	268	274
Average top 10% regions (% EU average)	172.03	179.10	196.09
Average bottom 10% regions (% EU average)	14.98	22.42	24.67
Ratio	1:11.48	1:7.99	1:7.95

Notes: Unemployment rate refers to population aged 20–64 years. Labour productivity was computed using GVA divided by the number of usual hours of work in main job [computed as the product between the average number of usual weekly hours of work, the number of employees (aged 15–64 years) and the average number of weeks in a year (52)]
Source: Own calculations using data provided by Eurostat Database (2017b)

nominal convergence at both national and regional levels (Barro and Sala-i-Martin 2004; Aiginger 2013). For example, at regional level, the convergence tendencies up to 2008, generated by the higher growth rates in less developed regions (beta convergence[3]) and strengthened by the Cohesion Policy, have reversed along with the economic crisis as extreme disparities have increased with the implicit deepening of gaps within countries. Additionally, convergence takes place more among "clubs of countries/regions" (comparable in terms of development and having similar production and trade specialisation patterns) with different convergence speeds that tend towards different levels of equilibrium; transfer from one club to another being difficult. As a result, the lowest/highest disparities in the European economy tend to exacerbate, especially at regional level (Boldrin and Canova 2001; Pascariu and Frunză 2011; Pienkowski and Berkowitz 2015).

In fact, many studies outline a positive relation between economic growth, strengthened by the internal market, and regional structural inequalities (divergence theories). Natural tendencies of market liberalisation generally lead to divergence, thus stimulating the concentration of innovative industries in developed (central) regions, while the periphery mainly attracts primary labour intensive sectors with a low added value and reduced dynamics (Mack and Jacobson 1996; Dupuch et al.

[3]Absolute β-convergence occurs when the poorer economies are growing faster than the rich ones and they all tend to converge to the same stationary level of real income per capita in the long run. β-convergence differs to σ-convergence, which occurs when there is a decrease in income per capita dispersion between regions (e.g. Barro and Sala-i-Martin 2004).

2004). Income gaps are low among national economies and high among regions (especially if intra-national disparities are high), the periphery being dependent on the centre and having a low potential to generate catching-up processes.

Consequently, internal market stimulates economic growth and a process of convergence occurs; at the same time it generates agglomeration economies that increase disparities resulting in a complementarity of the convergence/divergence processes. Convergence is conditional as it depends on such factors as economic dynamics (in periods of crisis governments sacrifice equilibrium, spatial "equity" in order to support competitiveness enhanced by agglomerations, although disparities may increase) (European Commission, Directorate-General for Regional and Urban Policy 2014), integration deepening (the more intense the reciprocal exchanges of commercial flows and capital, the stronger the convergence) (Kaitila 2004), production and trade patterns (convergence occurs mainly among economies with similar specialisations) (Petrakos and Rodriguez-Pose 2002), innovation capacity and human capital development (Farole et al. 2009), the system of institutions (economic convergence occurs if there is a convergence in the quality of institutions and governmental effectiveness) (Molle 2007).

As economies of the European Union are different structurally, particularly at regional level, the result is that the tendencies of free market are leading more to divergence than convergence. Therefore, less developed economies and regions need to be supported by public policies in order to counteract internal market divergence processes (Pienkowski and Berkowitz 2015). Considering the specific features of Central and Eastern European economies, the enlargement of the EU towards the East has emphasized the heterogeneity by adding a new periphery with its own development problems. Therefore, while the centre–periphery pattern was even more obvious within the European economy, the need for public interventions in order to foster growth and regional convergence increased even more, bringing new challenges to the European Cohesion Policy.

2.2 Cohesion Policy and the EU's Strategic Objectives

Starting with the 2000–2006 programming period, an increasingly thematic concentration on the development axes set by the strategies at the EU level was provided. These strategies were correlated with the specific strategic objectives at the national and regional levels through the implementation system existent in the member states (for example, currently, by means of Partnership Agreements). The first correlation in terms of result indicators was made in the 2007–2013 multiannual package of interventions, and meant that ever since the start of negotiations concerning the planning and programming documents with the member states, the funding priorities had to match the objectives of the Lisbon Strategy, this process being known under the name of Cohesion Policy "Lisbonization" (Allen 2010). That moment meant a radical reorientation of the CP, from a policy having mainly a redistributive role towards a structural investment-oriented policy,

Table 3 The strategic prioritisation of the Cohesion Policy

Lisbon (2000–2010)		Europe 2020	
Strategic objectives	Thematic priorities CP	Strategic objectives	Thematic priorities CP
The most dynamic and competitive knowledge-based economy	Business support (including RTDI) Environment Human Capital (labour market, education, social inclusion) Infrastructures (transport, energy, telecoms, social infrastructure)	Smart growth (competitiveness, innovation, technology development, human capital)	Research and innovation; Information technology and communications (ITC); SMEs competitiveness; Shift to a low-carbon economy; Climate change and prevention and management of resources; Environmental protection and resource efficiency; Sustainable transportation and removing bottlenecks in key infrastructure networks; Employment; labour mobility; Social inclusion and combating poverty; Education, competence and life-long learning; Strengthening institutional capacity and public administration efficiency
High employment/better jobs		Sustainable growth (energy, climate, resources)	
Social progress/ high level of social cohesion		Inclusive growth (poverty, cohesion)	
Environment (Goteborg, revised Lisbon)			

Source: Authors' representation

a reorientation strengthened afterwards in the 2014–2020 programming period (Table 3).

Currently, the Cohesion Policy is developed as a system of public interventions complementary to the internal market, playing a two-fold role, orienting and allocating resources through the market towards meeting the strategic development priorities, on the one hand, and strengthening the growth and welfare effects generated by the economic integration, on the other. The growth of its efficiency and effectiveness is not only an economic but also a political necessity. We refer here to the fact that the current political option at the European level for "a multi-speed Europe" or a "hard-core Europe" is in the end also the reflection of the failure of the EU's economic and governance system to generate a faster reduction of gaps (economic, social and territorial) and to produce "as much wealth for as many citizens" as the essence of the welfare state prevailing in the governance models of the member states; it is the reflection of a reality of a "centre-periphery" development pattern, with a "core" (developed, competitive, effective) and a "peripheral" Europe (with a relatively low competitiveness, inefficient, forced to adapt quickly, to catch-up, to depend in its development on the "exogenous" factors) that has induced in time centrifugal forces and has weakened the European Union as a political system.

The development of the periphery, the reduction of its dependence on the core (here we also refer to the reduction of economic growth dependence or productivity

on foreign capital or funds coming from the EU budget) is therefore also a political priority on which the future of the European Union depends, irrespective of the political architecture that will result after the new institutional negotiations.

3 How Does the EU Cohesion Policy Work?

The Cohesion Policy is part of the category of policies in which competences are shared between the Union and the Member States [TFEU—Title I, art. 4 (EU 2007)]. As a policy focused on regions (over 70% of funding is being implemented through programmes at regional level), it is also known as a Regional Policy. Accounting for 43% of the EU budget, it aims to generally improve the quality of life for its citizens by supporting sustainable development, using a system of funds with non-refundable financing as the core instrument of intervention. The legal basis for the CP is provided by the provisions of the Treaties, and its secondary legislation is established by regulations, which both constitute the European framework for the use of structural and investment funds (named until the current programme structural and cohesion funds). For the period 2014–2020, eight main regulations have been adopted, respectively: 6 regulations for the ESIFs (The European Regional Development Fund (ERDF), European Social Fund (ESF), Cohesion Fund (CF), European Agricultural Fund for Rural Development (EAFRD), European Maritime and Fisheries Fund (EMFF)); and 2 regulations for the territorial cooperation objective, namely the Regulation on European Territorial Cooperation and the Regulation on the European Grouping of Territorial Cooperation.

The decision-making procedure is the ordinary one, and its implementation is done across all 4 spatial levels (European, national, regional, local), the main actors in the implementation being the member states. At European level, the key institutional actors are: the European Commission: the Directorate General for Regional and Urban Policy; the European Parliament (Committee on Regional Development and Employment/Social Affairs Committee) and the Council (qualified majority; 15/28 countries; 65% of the population); the European Court of Auditors; Committee of the Regions; the Economic and Social Committee.

In the Cohesion Policy's system of governance, four major principles are applied:

3.1 Programming Principle

The programming principle refers to the fact that the actions performed by the member states in the framework of the Cohesion Policy are set by multi-annual planning, while the financing is being delivered at national level through specific national programmes which are aligned to the EU's objectives and thematic priorities.

The Cohesion Policy is implemented as an integrated intervention system; the first multi-annual package (called the Delors I package) was implemented starting

Table 4 Financial instruments in the Cohesion Policy framework

2007–2013 (structural and cohesion funds—SCF)	2014–2020 (European structural and investment funds—ESIF)	EU amount 2007–2013 (billion euros)	EU amount 2014–2020 (billion euros)	Share of SCF budget 2007–2013 (%)	Share of ESIF budget 2014–2020 (%)
ERDF	ERDF	200.69	196.36	44.79	43.83
ESF	ESF	76.81	83.14	17.14	18.56
CF	CF	70.07	63.39	15.64	14.15
EAFRD[a]	EAFRD[a]	96.24	99.35	21.48	22.18
EFF[a]	EMFF[a]	4.30	5.75	0.96	1.28
Total		448.11	447.99	100.00	100.00

Source: Authors' representation using data from the Directorate-General for Regional and Urban Policy

[a]Under the previous programming period (2007–2013), the EAFRD and the EFF have been included in the Common Agricultural Policy, although they are actually acting as structural instruments, contributing directly or indirectly to business development in rural areas. Nevertheless, during the 2014–2020 periods, the two funds have been re-engineered into a Cohesion Policy similar to the programming periods before 2007–2013. Unlike the previous programming period, during the current period, the European Fisheries Fund (EFF) turned into European Maritime and Fisheries Fund (EMFF)

with 1989 for a period of 4 years. At present, the Union implements the 5th multi-annual programme—*Investing in growth and jobs*—a name that actually reflects the main objective of the CP for the 2014–2020 period. Each programme is structured according to the objectives to which various structural funds are linked, having a regional and a thematic allocation.

The current five instruments under the ESIF have been allocated a total of almost 448 billion euros, which is almost half of the total EU budget. While the total amount is pretty much the same as in the previous programming period, some small reallocations have occurred. If the amounts dedicated to the ESF, EAFRD and EMFF increased (the ESF had the largest increase by more than 6 billion euros), the amounts for the ERDF and CF decreased (CF decreased by almost 7 billion euros, while the ERDF by more than 3 billion euros) (see Table 4).

The programmes are initiated by the member states (see below) in a consultation process with the regions and the main stakeholders, including civil society. They are approved by the European Commission which mainly aims to coordinate the actions of the member states to achieve the common objectives established in the European strategic and regulatory framework. The rule of subsidiarity applies to the programming process according to the partnership principle.

3.2 *Partnership Principle*

The partnership principle ensures that every programme is being established through a collective process involving the European Commission, the member

states' authorities (at national, regional and local level) and also various social and economic partners.

The Commission develops, monitors and evaluates the application of the financial instruments in the member states, with the support of the Economic and Social Committee, the Committee of the Regions and the member states; the Parliament and the Council approve, evaluate the implementation of the policy in the member states and propose the necessary measures for improvement, if needed; the member states participate in the development of the strategic and programming documents at Union and national levels, implement programmes and evaluate their results through impact assessments. Also, as the main actor in the CP governance, member states have to make sure that all the relevant national partners are being involved in every stage of the programming process in order to better meet regional and local needs (design, management, implementation, monitoring and evaluation). With this aim, a Managing Authority is established in each member state for each Operational Programme (OP) (at national, regional or local levels) supported by intermediate bodies. All OPs must be approved by the European Commission before their implementation. Also, being a policy designed for the regions, their role in the multi-level system of governance of the EU has constantly grown, regions participating in all stages of the life cycle of this policy in agreement with their social partners. However, some studies highlight the formal symbolic role of the regions, as long as the framework of action is regulated at the national level, particularly in the countries in which the regions are not administrative units but only statistical territorial units (Allen 2010).

For the current period, the framework for the CP development and implementation has implied:

1. The adoption of the Common Strategic Framework (CSF) at the Union level, which includes the priorities at European level in accordance with the strategic objectives of the Europe 2020 Strategy and ensures the coordination of the member states;
2. The signing of a Partnership Agreement (PA) negotiated by mutual agreement (involving a large consultation of the interest groups at national level during the elaboration stage: regional and local representatives, civil society etc.), by the Commission and each member state. PA ensures the correlation between the European intervention priorities and the national ones, established based on strategies and own reform plans, and establishes the responsibilities of all the actors involved;
3. The development and adoption of OPs, thematic or regional, as programming instruments which translate the priorities from the PA into concrete measures aimed at the different fields covered by each OP (for the current period 540 OP were adopted).

3.3 Additionality Principle

The additionality principle requires states to also contribute to the investments delivered through the ESIF. The European structural funds may not replace or

reduce the national structural expenditure by a member state in a region but they should only be additional to national public spending. The funds are therefore used as a source of funding as grants for various public projects, private or in partnership, in a co-financing system and with shared management. The rate of co-financing differs by region, programme or action; the maximum co-financing rates are the following: 75–85% in less developed and outermost regions; 60% in transition regions; and 50% in more developed regions. In this way, the Union ensures a prioritisation of the use of national resources according to common strategic objectives.

3.4 Concentration Principle

The concentration principle states that funds are concentrated both geographically and according to some thematic objectives.

Geographical Concentration

The Cohesion Policy is concentrated on the "left behind" and disadvantaged regions (having a natural disadvantage, rural areas, insular areas etc.) in order to promote a harmonious development of the whole Union (art.174 TFEU—EU 2007). A new regional delimitation has been established during the current programming period and three distinct categories have been defined (Table 5): *the less developed regions* are the regions, whose GDP per capita, is less than 75% of the average GDP of the EU27, which were eligible for the Convergence Objective under the previous programming period; *the transition regions* are those with a GDP per capita between 70 and 90% of the EU27 average and this is actually a "safety net" for the regions which were eligible under the convergence objective in the previous programming period (replacing the phasing-in and phasing-out system), but whose GDP per capita statistically increased after the EU enlargement although they are actually facing the same structural problems; *the more developed regions* are those with a GDP per capita over 90% of the EU27 average, that were previously eligible for the "Regional competitiveness and employment" Objective.

Table 5 Cohesion policy architecture 2007–2013 vs. 2014–2020

2007–2013 Objectives	Funds	2007–2013 Goals	Category of regions	Funds
Convergence	ERDF, ESF, CF	Investment in growth and jobs	Less developed regions	ERDF, ESF, CF
Regional competitiveness and employment	ERDF, ESF		Transition regions	
			More developed regions	ERDF, ESF
European territorial cooperation	ERDF	European territorial cooperation		ERDF

Source: European Commission, Directorate-General for Regional Policy (2011)

Unlike the previous programming period, in the current period there is not only one main objective, namely, to support job creation, investments and economic growth, but it is differently addressed depending on the development level of the region. More specifically, the general goal of spurring development is being differently delivered through its specific financial instruments according to the development level of the regions compared to the EU average.

While the less developed and transition regions are eligible for funding from the ERDF, ESF and CF, the more developed ones are eligible for funding from the ERDF and the ESF. Together with 2 other funds managed under the Common Agricultural Policy, but also acting as structural instruments, namely EAFRD and EMFF, these are the main investment sources of the EU, being jointly known as the European Structural and Investment Funds (ESIF). About 54% of ESIF are dedicated to less developed and CF regions (70% if we are excluding the EARFD and EMFF), in order to support development gaps.

The allocation of instruments according to the three categories of regions in terms of development clearly proves the commitment of the Cohesion Policy to reduce disparities by supporting the poorer regions to catch-up with the more developed ones. While the less developed regions (GDP per capita <75% of EU average) and the CF regions (Gross National Income per capita <90% of EU average) accounted for 51.2% of the EU population during the current programming periods, about 70%[4] of the available funds were designated for them (European Commission, Directorate-General for Regional and Urban Policy 2014).

Thematic Concentration

The thematic priorities of the Cohesion Policy evolved in time according to the EU strategic objectives, as well as national and regional development priorities.

Under the current programming period, the funds are concentrated on 11 thematic priorities which support the delivery of the Europe 2020 objectives, namely, smart, sustainable and inclusive growth.

Smart growth concentrates on economic development and it is delivered through the first three thematic objectives which are being supported through the ERDF fund (1–4 thematic priorities[5]). The 8–11 policy themes focus on human development, and aim to achieve the *inclusive growth* objective under the Europe 2020 Strategy by being mainly financed through the ESF (8–11 thematic priorities). The CF supports the thematic objectives 4–7 targeting the sustainability of development by providing more attention to environmental protection under the *sustainable growth* objective of the Europe 2020 Strategy.[6] Nevertheless, EAFRD and EMFF

[4]If the EAFRD and the EMFF are also included, the less developed and CF regions get about 54%.

[5]The 4th priority is the exception as it relates to the sustainable growth objective of the Europe 2020 Strategy.

[6]Therefore, the countries eligible for benefiting from this fund for the 2014–2020 programming period are: Bulgaria, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

are being concentrated on 3, 5 and 6 priorities, supporting the delivery of both smart and sustainable growth objectives. More specifically, enhancing the competitiveness of SMEs is the main priority, as it is considered the main way for boosting the sluggish growth of the EU economy (Table 6). Thus, this policy area (P3) gets about 14% of the budget available (95 billion euros) through the five funds described above, which reach together 448 billion euros, with a total investment estimated at 630 billion euros (if the national contribution is also included). Both environmental and non-environmental infrastructure (P7, P6 and P4) are still considered the top priorities for the less developed and the CF regions, as they are given around 110 billion euros, which is almost half of their available amounts. For the more developed regions, transport, environment and energy infrastructures (P7, P6 and P4) account for almost 27%, but special attention is given to the SMEs' competitiveness (P3: 20%), social inclusion (P9: 12%) and climate change (P5: 11%) policy areas.

Applying the principles outlined above ensures the coherence in governing and implementing the Cohesion Policy, its continuity across the different programming periods, as well as increasing the efficiency and effectiveness in terms of impact.

4 Is the EU Cohesion Policy Effective?

Starting with the first Delors package (1988–1993), the GDP of the countries that will be later called "cohesion countries" (with GDP/capita <90% of the EU average)—Greece, Ireland, Portugal, Spain grew from 68.3% to 74.5% of the EU average and the regions of Objective 1 (the "less developed" regions—GDP/capita <75% of the EU average) had growth rates over the European average, reducing the difference compared to the EU average by 3%. Many jobs were created, increasing employment level and more than 470.000 enterprises were supported in regions under Objective 2 (regions affected by industrial decline). The trends in disparity reduction prevailed, as the GDP/capita grew during 1995-2005 from 74% to 88% compared to the EU average in Greece, from 91% to 102% in Spain, and from 102% to 145% in Ireland (European Commission, Directorate-General for Regional and Urban Policy 2014; European Union 2008). Similarly, the economies of the states that joined the EU in 2004 also displayed a reduction in disparities, as the GDP/capita at the level of the EU10 was converging towards the average of the EU 25 from 63% at the time of accession up to 76% in 2015. Romania and Bulgaria also went through a process of convergence; the GDP/capita grew in Romania from 42% compared to EU27 average to 57% during the 2007–2015 period and from 40% to 47% in Bulgaria during the same period (Eurostat Database 2017a). As a result, overall, during 2001–2015, disparities decreased among the EU28, the less developed EU member states showing higher growth rates than highly developed states.

Overall, a process of convergence occurred also at the regional level, complementary to the national convergence. For example, during the period 2000–2015 the regions with a lower GDP per capita in 2000 generally displayed higher average

Table 6 Cohesion Policy funding by thematic priorities, 2014–2020

	Less developed and CF regions		Other regions		EU amount		Total amount
Main priorities	(billion euros)	(% by priority)	(billion euros)	(% by priority)	(billion euros)	(%)	(billion euros)
Competitiveness of SMEs (P3)	21.48	8.90	42.26	20.46	63.74	14.23	94.97
Environment protection & resource efficiency (P6)	27.86	11.54	34.15	16.53	62.01	13.84	85.46
Network infrastructures in transport and energy (P7)	54.14	22.42	4.33	2.10	58.47	13.05	71.42
Low-carbon economy (P4)	27.72	11.48	17.13	8.30	44.85	10.01	64.12
Social inclusion (P9)	20.26	8.39	24.29	11.76	44.55	9.94	62.72
Research and innovation (P1)	23.40	9.69	20.33	9.84	43.74	9.76	65.76
Educational and vocational training (P10)	21.35	8.84	13.19	6.39	34.54	7.71	49.21
Sustainable and quality employment (P8)	18.66	7.73	15.39	7.45	34.05	7.60	48.68
Climate change adaptation and risk prevention (P5)	6.10	2.53	22.44	10.87	28.55	6.37	41.24
Information and communication technologies (P2)	9.08	3.76	5.14	2.49	14.22	3.17	20.71
Technical assistance	7.69	3.19	5.72	2.77	13.41	2.99	18.73
Efficient public administration (P11)	3.69	1.53	1.37	0.67	5.07	1.13	6.47
Outermost and sparsely populated	–	–	0.67	0.33	0.67	0.15	0.82
Discontinued measures	–	–	0.13	0.06	0.13	0.03	0.18
Grand total	241.43	100	206.56	100	447.99	100	630.48

Note: Total amount includes both EU and national contributions.
Source: Authors' representation using data from the Cohesion Policy Data portal (European Commission, Directorate-General for Regional and Urban Policy 2017a)

growth rates (the process called β convergence, convergence confirmed also for the previous periods) (Fig. 1). If in 2000, the first 10% of the regions recorded a level of GDP per capita of almost 6 times higher than in the last 10% of regions, in 2015, the ratio between the first and the last quartile was reduced to 4 (Table 2). In the same period, the gaps in productivity between the first and the last quartile decreased from 1:11 to 1:8.

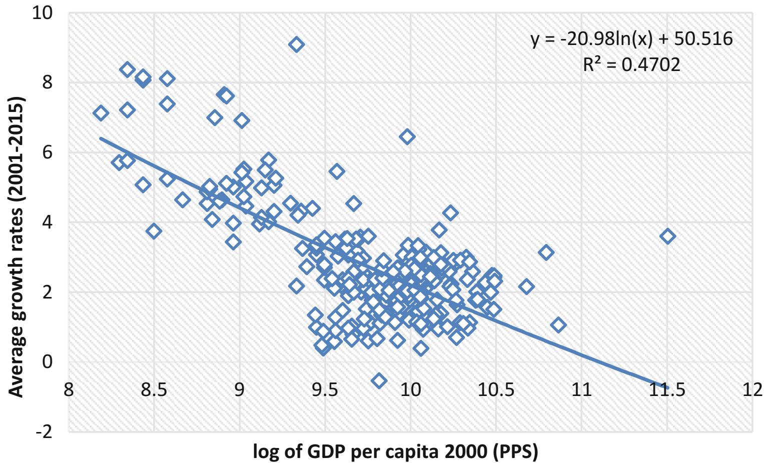

Fig. 1 EU28 regional β-Convergence 2000–2015 (Source: Authors' representation using data from Eurostat Database (2017b). Note: Average annual growth rates in 2001–2015 versus the log of the initial GDP per capita in 2000 by EU28 NUTS2 region

Still, even if overall the convergence trend towards the average of the EU is obvious, it should be noted that it is not uniform and that, in some regions, there was a divergent evolution. For example, the Sterea Ellada region in Greece recorded a negative average level of economic growth during 2001–2015 and the gap compared to the EU average grew. If in 2000, the GDP/capita in this region reached 96% of the EU average, in 2015, it lowered to 61%. The divergent trends may also be recorded in the opposite direction, through higher rates of economic growth compared to the average recorded in the developed regions. For instance, the pace of growth of over 6% during the 2001–2015 period registered in the region Bratislavský kraj in Slovakia managed to move even further away from the average level of development of the EU, from 113% in 2000 to 197% in 2015 (Eurostat Database 2017b).

In the evolution of development gaps at regional level, the recent economic crisis had an important impact that affected over two thirds of the regional economies in the period 2008–2011, slowing down the process of convergence. This was felt differently at regional level, testing the capacity of the regions to resist and recover, respectively, after the economic shock. During the period of its highest intensity (2008–2009), 92 regions recorded a negative economic growth rate of over 4% and only 7 regions managed to go over 4%. However, overall, for the period 2000–2011 the inter-regional gaps had been reduced, although the convergence slowed down for a short period of time after 2008, while the intra-national gaps increased in many countries mainly due to the spectacular growth of capital city regions (European Commission, Directorate-General for Regional and Urban Policy 2014, pp. 1–6).

Although it is difficult to separate the contribution of the Cohesion Policy to those dynamics of intra-EU disparities, a set of models were developed to assess the impact and effectiveness of the CP, the most used models being HERMIN, QUEST and RHOMOLO.[7] Many studies evidenced a positive impact of the Cohesion Policy (European Commission, Directorate-General for Regional and Urban Policy 2014; Pienkowski and Berkowitz 2015), but its intensity is conditioned by various factors. First, the impact depends on the absorption level which reflects the amounts injected into regional economies. Becker et al. (2012) point out that the highest impact is reached when the absorbed funds are between 0.4 and 1.3% of the GDP of the regions. So, redistribution from the regions receiving amounts higher than 1.3% of the regions' GDP to those below 0.4% may increase the overall efficiency. Therefore, the allocation of funds must be correlated with the regional potential, namely with the regional absorption capacity (macroeconomic, administrative and financial absorption capacity) (Constantin et al. 2011). Second, besides the level of funds being allocated/absorbed, the conditions at the national level also matter. For example, sound national fiscal and macroeconomic policies were shown to be able to increase the effectiveness of the CP transfers (Tomova et al. 2013). If the economic environment is perceived as being unsafe, because of the high fiscal or macro-economic imbalances, like a high government debt level or a high foreign borrowing, the impact of the funds may be considerably weakened. Third, Rodríguez-Pose and Garcilazo (2015) argues on the importance of institutions in maximising the returns of cohesion investment. They show that above a certain threshold of expenditure (around 120 Euros per person per annum) additional public investment may lead to waste, as improving the quality of governance may have a far better impact in boosting economic growth. Fourth, along with government quality, the human and territorial capital endowments were also proved as a condition for turning cohesion transfers into economic growth (Becker et al. 2013; Fratesi and Perucca 2014).

Other studies are arguing for the negative role played by the policy (Esposti and Bussoletti 2008; Le Gallo et al. 2011), mainly by causing distortions in the allocation of the factors of production, as a result of the artificial support for low-performing industries or regions. A strong argument in this sense comes from the institutionalist approach that explains the differences among countries as differences in terms of institutional quality as institutions play a key role in growth and development (Acemoglu et al. 2006; Farole et al. 2009). Therefore, the impact of the Cohesion Policy in the less developed countries in terms of growth and convergence risks to be weaker if not reinforced by a process of institutional convergence (Rodriguez-Pose and Garcilazo 2013). Similarly, considering the positive correlation between the cohesion investments' impact and regional endowments (Fratesi and Perucca 2014), the CP needs to deal a trade-off between the effectiveness in maximising the overall growth and the degree of spatial equity that can be achieved by minimising interregional inequalities.

[7]The models use impact indicators, mainly GDP, investment, employment, productivity.

5 Case Study: Structural and Investment Funds as a Support for SMEs and Entrepreneurship

SMEs are the backbone of the European economy as they represent an important source of growth and employment, contributing to a large extent to strengthening the internal market efficiency and to reducing disparities. Recent developments show that the difficult period since the recent economic crisis has finally been surpassed, and SMEs have grown both in terms of added value and employment (European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs 2016). While the added value grew by 3.8% in 2014 and 5.7% in 2015, employment provided by SMEs has also grown by 1.1% in 2014 and 1.5% in 2015. In 2015, the 23 million SMEs generated 3.9 trillion euros in added value (57.4% of total added value) and employed 90 million people (66.8% of total employment and 85% of all new jobs) (European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs 2016).

Given their fundamental role in the EU economy, supporting SMEs is one of the best ways to revitalize the current sluggish EU economy. The problems the SME sector is facing are generally related to a relatively low labour force performance (especially management), difficulties in access to information and finance, low capacity for innovation and exploitation of new technologies, relatively low productivity, weaknesses which are being emphasised under the internal market liberalization process and the increase of international competition, which are specific to the wider globalization processes (OECD 2000).

The EU is trying to address all these barriers that SMEs are facing, and therefore they have been given special attention during the current programming period. Under the first thematic priority, mainly funded through ERDF, the EU supports research and innovation in order to help SMEs maintain their competitiveness by providing them access to more advanced and resource efficient technologies and by supporting the transposition of research results into better products (Table 7). In order to maximise the SME innovation potential, the Cohesion Policy supports cluster formation, as experience has shown that together SMEs are more innovative and register more international trademarks and patents, as they were shown to develop over 87% of all patents (Delgado et al. 2014). Also, when part of a cluster, firms experience higher productivity growth rates, they create more jobs and provide higher wages (Porter 2003).

SMEs are also supported by the Cohesion Policy through human capital formation programmes using ESF under the 8th thematic priority (Table 7). Lifelong learning and labour mobility programmes are financed for increasing workers' adaptation and to make sure they can face any challenges and easily reintegrate into the labour market. Also, limiting early school-leaving and promoting equal access to good quality will improve the prospects for acquiring a more flexible, productive and innovative labour force. Special attention is also given to the promotion of entrepreneurship education, by helping the young population develop an entrepreneurial mind set and skills. Nurturing the new generation of

Table 7 Investment priorities linked to SMEs by ESIF

ESIF	Thematic priorities	Investment priorities linked to SMEs
ERDF	P1	Promoting business investment in innovation and research.
	P3	Enhancing the competitiveness of SMEs by: • Facilitating the economic exploitation of new ideas and fostering the creation of new firms, including through business incubators; • Developing and implementing new business models for SMEs, in particular with regard to internationalisation; • Supporting the creation and extension of advanced capacities for product and service development; • Supporting the capacity of SMEs to grow in regional, national and international markets, and to engage in innovation processes.
ESF	P8	• Self-employment, entrepreneurship and business creation including innovative micro, SMEs; • Adaptation of workers, enterprises and entrepreneurs to change.
CF[a]		• Investment in the environment, including areas related to sustainable development and energy; • Trans-European networks in the area of transport infrastructure (TEN-T);
EAFRD		• Fostering knowledge transfer and innovation in agriculture, forestry, and rural areas; • Enhancing competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and the sustainable management of forests; • Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture; • Promoting social inclusion, poverty reduction and economic development in rural areas.
EMFF		• Increasing employment and territorial cohesion; • Fostering innovative, competitive and knowledge based fisheries; • Fostering innovative, competitive and knowledge based aquaculture; • Promoting a sustainable and resource efficient aquaculture.

Source: Adaptation after European Commission and European Investment Bank (2014, pp. 45–46)
[a]This fund is mainly financing infrastructure but it indirectly supports entrepreneurship and SME policies by generally raising regional attractiveness and by encouraging agglomeration economies

entrepreneurs, under the Entrepreneurship 2020 Action Plan will ensure a more dynamic EU economy with a high number of jobs and a higher level of prosperity.

Besides investing in new technologies and in human resources, the Cohesion Policy instruments also enforce SMEs competitiveness by sponsoring business networks. These will help SMEs make the most of market opportunities, by connecting with partners across Europe, to share good practices and help them

internationalise and face competition in the Single Market and beyond, supporting businesses to boost their competitiveness and internationalize their activity while leading them to better economic performance as internationalisation is correlated to higher turnover and employment growth rates and stronger innovation (European Commission, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs 2014).

The budget thematic allocations confirm that supporting the competitiveness of SMEs is the main priority as it has been dedicated the highest amount reaching almost 64 billion euros (about 33 billion euros through ERDF, 28 through EAFRD and 3 billion euros through EMFF). At the same time, this priority is being indirectly supported by the other funds and priorities, by increasing the attractiveness of countries/regions through innovative technologies, infrastructure development, and human capital accumulation and by improving the business environment, which is a priority for European, as well as national public policies. Nevertheless, along with the Cohesion Policy instruments, the EU is also supporting SME through various other instruments embedded into other European policies[8]: Industrial Policy, Culture and Education, Environmental Policy, Research and Innovation, Policy regarding employment, Social affairs and inclusion, other.

Box 1 Projects for tourism development co-financed by ERDF. Good practice examples (2007–2013 Programming Period)

Name of project	Aim	Impact
Project: Making tourism SMEs fit for the e-business age (“Digital Tourism”) **Region:** Wales **Period:** 12/2009–03/2015 **Fund:** ERDF **Total investment:** 11.7 million euros (EU amount 55.8%)	Improving the business performance of tourism SMEs by designing a Digital Tourism Business Framework programme.	– 79% of users reported an improvement and/or growth in their businesses, with 1 810 new or improved products, processes or services; – 44 jobs created; – website traffic has grown dramatically attracting about 3.5 million sessions in 2014 compared to 1.6 million for the predecessor sites.
Project: If we build it, they will come: Romanian towns try to boost tourism (“Medieval fairs circuit in Northern Transylvania—the Karolyi Castle in Carei and the Karolyi Citadel in Ardud”)	Developing the north-western Transylvania region and its historical buildings as a tourist destination.	– Increasing the number of tourists by 5% (the results showed a 10% increase, attracting over75,000 visitors per year); – 14 jobs created; – Increase in revenues of hotels, restaurants and

(continued)

[8]For an exhaustive list, please see: https://ec.europa.eu/info/funding-tenders/overview-funding-programmes_en

Box 1 (continued)

Name of project	Aim	Impact
Region: Romania **Period:** 04/2009–09/2012 **Fund:** ERDF **Total investment:** 4.2 million euros (EU amount 85%)		shops' owners because of the raise in the number of tourists.
Project: Developing 'SLOWTOURISM' between Italy and Slovenia ("SLOWTOURISM—Valorisation and promotion of slow tourist routes between Italy and Slovenia") **Region:** Italy and Slovenia **Period:** 05/2010–06/2014 **Fund:** ERDF **Total investment:** 3.7 million euros (EU amount 85%)	Linking Italian and Slovenian tourist areas in the Upper Adriatic through the philosophy of *slow tourism*, with a special focus on sustainability, responsibility and eco-friendly concepts.	– 5% increase in the number of employees in the natural tourism sector, revenues in this sector and he number of tourist packages; – 10% increase in the number of visitors from outside the region; – Promote the 'slow' philosophy with the next generation.
Project: Exploseum: Former German explosives factory turned into interactive museum ("Open air industrial architecture museum with an underground tourist route and Exploseum War Technology Centre DAG Fabrik Bromberg in Bydgoszcz") **Region:** Poland **Period:** 11/2008–07/2011 **Fund:** ERDF **Total investment:** 1.9 million euros (EU amount 64%)	Redesign the former German pre-war arms factory—DAG-Fabrik Bromberg for cultural, educational and tourism purposes.	– Refurbish over 19,000 m^2 consisting of eight buildings and underground tourist route; – Have already attracted over 130,000 people since its opening.

Source: Own representation, based on the European Commission, Inforegio database (European Commission, Directorate-General for Regional and Urban Policy 2017b), http://ec.europa.eu/regional_policy/en/projects/

To use the opportunities of ESIF, SMEs should first be informed on the OPs covering their region. It is important that they understand what the programme is interested in funding, which the eligibility and selection criteria are, which the expenses that may be covered are and what the co-financing rate is as well as what the result indicators are in order to choose the most appropriate program for the desired investment. It should also be understood that the programmes fund actions are linked to the strategic and programming objectives of the region and that these may contribute to the achievement of their result indicators. For this reason, the

own interests of an entity (whether we talk about an SME, a public actor or a non-governmental organization) and the European, national, regional/local strategic development objectives need to be similar in order for the project to be accepted for funding. A special attention should also be given to the horizontal funding objectives through the CP (research and innovation; information technology and communication (ITC); growth of competitiveness of small and medium-sized enterprises; supporting the move towards a low carbon emissions economy), the SME sector being "called upon" to contribute to the smart specialisation of the regions and to improving the competitiveness of the European economy in an approach specific to the sustainable development pattern.

6 Conclusions

The European Cohesion Policy consists of all instruments (legislative, financial, procedural) and methods of implementation developed and applied to reduce economic, social and territorial disparities in line with the principle of multi-level governance: subsidiarity, assigning and proportionality.

The importance given to cohesion in the process of European integration is explained by the negative effects of disparities at a time when these increased with each stage of the Union's enlargement, while the internal market tends rather to increase them. From this perspective, the Cohesion Policy may be viewed as a response of the EU's governance system to the internal market "failure" to generate (through free trade) in due time the convergence needed to achieve, on the one hand, the integration objectives provided by the treaties, and, on the other, the strategic objectives for economic development of the EU and the member states.

Many empirical studies outline the positive impact of the CP by reducing development gaps among the member states and regions. Key contributions of the Cohesion Policy were emphasized through stimulation of research, technological innovation and development, increasing employment and human capital, improving the governance system of member states, accelerating the process of economic integration of new EU entrants. The CP has also improved the business environment, especially for SMEs, and entrepreneurship, by supporting measures for enhancing SMEs competitiveness, which is the leading priority under the current programming period.

Nevertheless, going beyond this simple *logic of convergence* (in terms of GDP/capita, employment rate, or/and productivity) is required. From a normative perspective, it is important to understand that the reduction of the disparities of one region compared to another does not equal to the reduction of its peripheral nature. A convergence in GDP/capita or employment (indicators to which CP relates to) may also be achieved while maintaining some of the structural weaknesses of the less developed economies (e.g. low intensity of technology or human capital, specialization in energy intensive industries, dependence on export and FDI; unsustainable structure of foreign capital; reduced quality of social infrastructure). The EU Southern countries have recently showed during the crisis that, in spite of a

long convergence process, these are facing major structural weaknesses and a low resilience capacity.

Therefore, the use of GDP/capita as a synthetic indicator for setting the financial allocations between convergence and competitive regions (less vs. more developed regions) in CP should be also linked to other indicators which are not just monetary and which better explain the economic and social disparity existing among countries/regions in order to decide who and which development axes will have priority in benefitting from the support of this policy.

Questions and Activities

1. Choose six indicators from the EU Sustainable Development Indicators (SDIs—http://ec.europa.eu/eurostat/web/sdi/indicators) and design a national level database for the period 2007–2013. Please meet the following requirements:
   (a) Analyse the evolution of disparities and find out whether there was a process of convergence or divergence between countries.
   (b) Establish correlations between the thematic priorities of Cohesion Policy and the selected indicators. Which of these priorities are supporting the reduction of the gaps observed?
2. Choose an economic activity, according to your interests (tourism, agriculture, education, health) and identify at least 4 axes (from at least 2 operational programmes) in your region suitable for financing an investment project in the chosen area.
3. Choose a project which has already been implemented in your region (European Commission database available at: http://ec.europa.eu/regional_policy/fr/projects/). Analyse how this project is related to the objectives of the Partnership Agreement of your country. What about to the Europe 2020 goals?
4. Suppose you want, as a public actor, to develop tourism in your local community and meet the following requirements:
   (a) Set up a priority action for this goal and identify the most reliable axis within the operational programmes to submit a project to get support from the ESIF;
   (b) Argue why and how such funding is suitable for your local development goals;
   (c) Explain how this investment project will contribute to the achievement of indicators in the selected operational programme. What about the Europe 2020 strategic objectives?
5. Analyse comparatively the development level of the EU countries and the economic growth over a longer period of time (10 years). Correlate these evolutions with the level of competitiveness and the quality of governance and institutions. What do you notice? What conclusions could be drawn on the relations between growth—competitiveness and institutions?

6. Take a closer look at the data shown in Table 1 (GDP/capita dynamics, 1995–2015) and answer the following questions:
   (a) Did development gaps reduce or increase over the period under review?
   (b) Which are the countries with the highest economic growth rates?
   (c) Does the figures in the table confirm an absolute β-convergence process? What about σ-convergence? Explain!
7. Set up a GDP/capita (PPS) and labour productivity database at regional level (NUTS 2) for three countries: yours, the less developed and the most developed for the period 2005–2015 (or another period including 2008). Answer the following questions:
   (a) How did intra-national disparities evolve over the analysed period?
   (b) What about the extreme ratios (Max/Min) among the three countries?
   (c) Did the crisis affect the dynamics of disparities? In what way?
8. Analyse the spatial and sectoral distribution of FDI flows in your country. Can industrial agglomeration processes be identified? What do you think are the most important factors that have triggered these processes and what could be the impact on territorial disparities in your country?

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