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TEXT SUBJECT TO REVIEW

NOT TO BE QUOTED.

EUROPEAN REGIONAL POLICY:

WHAT LESSONS FROM ITS EXPERIENCE MIGHT BE TRANSFERRED TO OTHER COUNTRIES?

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Abstract: the objective of this paper is to provide an answer for the question in its title. Therefore, we will not delve into certain aspects of European Regional Policy (ERP) which, although important, we shall assume as mostly understood, since they have been extensively approached and analysed in the existing literature.

The text is structured as follows: the first section reviews some aspects which preceded the deployment of the policy in 1986 and which seem fundamental to its analysis. The next part synthetises key principles and requirements applied by the ERP from the outset, and which continue to be the bases of this policy's "philosophy," as well as the main objective pursued and other complementary goals. The third section provides a study of the main achievements as well as the negative aspects worth highlighting, based on the implementation of this policy for over thirty-five years. Lastly, all the foregoing enables the identification of certain lessons, as opposed to advice and conclusions, which may be drawn from the European experience when considering and implementing regional development policies in other countries or when analysing the shortcomings of those implemented.

Keywords: European Regional Policy, basic principles, objectives, results.

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1. Introduction and objectives

The EU's regional policy has been the subject of extensive literature, from works seeking to expose how it is organised and applied, to the assessment of its effects observed through the lens of a specific country or region's experience (Artis et al., 2007; Armstrong and Taylor, 2000; McCann, 2015; Molle, 2016). Our objective is to provide an answer to the question presented in the title. In other words, to identify knowledge that may be extracted from the European experience, and which may be useful for other regional development policies pursued in a specific country or group of countries. Ultimately, the aim is to point out some factors and approaches that have been proven useful to achieve development objectives and greater cohesion among the various European regions. This is the novelty or added value that the work seeks to provide.

To this effect, the text is organised as follows. The first part (Section 2) reviews the basic lines which preceded the definition of a European Regional Policy (ERP), which really began in 1986. It would appear important to provide this information because it is not always highlighted that the period during which the European Community did not have its own regional policy was an extensive one. Next (Section 3), now with a clear focus on answering the formulated question, the paper examines the basic "principles" or "philosophy" that was adopted from the beginning, in 1986, and which is still currently in place, as well as the objectives it sought to achieve. The priority was the development of Europe's least developed regions, although it also created a space to address the problems of more developed regions facing issues related to industrial reconversion, rural areas and some specific problems which arise in large cities and metropolitan areas. Section 4 is dedicated to the study of the positive results that the ERP appears to have produced and also to presenting its main shortcomings and criticism levelled at it.

This last section is particularly relevant, as it includes elements that may be borne in mind when evaluating the ERP's effects and to identify some topics for consideration, both for assessment purposes and to extract possible recommendations for policies to be implemented in other countries. Finally, Section 5 aims to propose the aspects of the European experience that could be leveraged by other countries. This section clearly states that it does not present conclusions or recommendations as such. Instead, they are, in essence, points and aspects that are considered pivotal in the ERP's continuity for over 36 years and in reaching its main achievements. Naturally, various problems and criticism related to the implementation of this policy are also reviewed.

We are aware that the case of the ERP has certain, very particular features. Firstly, because it is not applied to a single country, but to a group of States integrated in the European Union (EU), where one of the objectives, based on the principle of solidarity, was, and remains, to achieve increasing economic and social cohesion in the broad territory covered by the 27 countries which currently are members of the Union. And, secondly, because the most developed countries accepted the role of net contributors to the resources available to the European budget. At an individual country scale, this means a transfer of national resources, from the richer and more dynamic regions to those identified for development. On a European scale, this transfer takes place through the balance of the contributions and transfers that Union members may receive, whereby the most advanced will make a net positive contribution to the EU's budget; particularly in the case of resources destined to regional policy.

It is worth noting from the outset that the ERP has been and continues to be *selective*. Its main objective is the convergence of the most lagging or least developed European regions towards the Union's mean GDP pc, even though it is also opened to smaller areas in more dynamic and developed regions, which may receive funds to address specific issues.

2.- A brief note. From no-regional policy to the “new” Europe-wide regional policy.

The foundational agreement of the European Economic Community (EEC), subscribed in Rome on the 25th of March of 1957, did not contemplate the need to include topics related to regional imbalances among the objectives of the Community created by the founding countries (Germany, Belgium, France, the Netherlands, Italy, and Luxembourg). Instead, the priority was to establish a progressive commercial integration, with the clear aim of eliminating customs procedures and other border requirements existing at the time between these countries. Likewise, great importance was given to solving issues related to the agricultural sector, which led to the creation of the Common Agricultural Policy (CAP), promotion of industrial activities, development of atomic energy and, very specifically, driving open competition within the Union.

Obviously, the progressive elimination of obstacles to the free circulation of individuals, goods, services, and capital was also among the objectives, but with a more progressive pace. However, in the case of member countries’ “regional” problems, it was agreed that the adoption of possible measures should be left in the hands of each country. In line with the Treaty’s contents, it was considered that such problems had an “internal scope”[2] and that each government should be free to decide whether to adopt or not political and economic measures in this area. Nevertheless, a very clear restriction was included: the policies adopted and/or aid given to regions and their businesses should not clash, in any case, with the requirements of open competition established within the Community[3].

This position in favour of a *no-regional policy* should not be the basis to infer that a concern for socioeconomic disparities among regions was set aside entirely. In fact, the principle of *solidarity among member countries* was always very present in pre-foundational documents and agreements[4], as well as in the Treaty of Rome itself, which created the European Social Fund (ESF) as a financial instrument to promote employment and social cohesion within the EEC. In addition, although the goal was only to reduce the interregional differences existing within the EEC, the year 1958 witnessed the inauguration of the European Investment Bank (EIB), whose remit was, and continues to be, to contribute to the balanced development of the Union by financing actions leading to economic integration and social cohesion within the Community. Moreover, a General Directorate for Regional Policy was created within the Commission ten years later (1968), albeit with scarce effective competencies and limited resources.

This modest progress was followed by two further actions which should also be highlighted. In 1973, coinciding with the addition of Ireland, the United Kingdom and Denmark to the Union, the so-called “Thomson Report” set out for the first time the

[2] As is well-known, at the time the EEC was founded, countries like France, The Netherlands and Italy already had a long tradition in the design of territorial and regional development policies.
[3] EEC Treaty, Rome 1957.
[4] Among them: when creating the *European Coal and Steel Community* (ECSC) (1951), the *EURATOM* Agreement (1957), and in numerous writings of some of the EEC’ fathers, such as R. Schuman and J. Monnet

importance of addressing interregional disparities at a Union scale, instead of viewing them only as a problem of each Member State. This led to the creation nearly two years later, in 1975, of the European Regional Development Fund (ERDF), one of the so-called "Structural Funds" which would later become notably relevant. However, its role at the time was specifically to track the evolution of interregional disparities within the EEC, as well as the possibility of an occasional "collaboration," with limited resources, with the regional policies being applied by member countries.

Although the ERDF gradually settled into the structure of the European Commission, the truth is that it took several years for "regional policy" to acquire a truly significant role among overall Union policies. This did not take place until 1986, that is, nearly three decades after the Treaty of Rome. The occasion for this rise in importance was the discussion and approval of the so-called "Single European Act" of 1985, whose main objective was, as is well known, to promote progress towards a *greater level of economic integration* among the Union's members, with a special emphasis on achieving greater liberalisation and integration of service sector activities, the review of some institutional aspects and progress towards a common European banking system and currency.

The arguments to launch a Union-wide regional policy were sufficiently clear. In accordance with other experiences and some well-known theories, the goal of driving integration of the European economies should result in greater economic development of the entire Union and, consequently, the achievement of multiple benefits for the entire group of Member States. However, this idea generated numerous doubts related to the actual distribution of those benefits, since some theses, both economic and political (Myrdal, Hirschman, Kaldor and others), argued the possibility that the distribution of expected benefits could end up being highly unequal, both among countries and regions, instead of contributing to generate a process of convergence in terms of social welfare.

Ultimately, the main concept was that the benefits of integration could fall more easily on the more dynamic and advanced regions, as well as some large European metropolitan areas, thus marginalising, at least in part, the more lagging areas and regions. As a matter of fact, these notions gave rise to the idea of not leaving this problem in the hands of the respective countries, instead making the decision to launch the *Community's own "regional policy"* and providing it with the necessary financial resources and programs to achieve greater *"economic and social cohesion"* at a European scale.

It is worth noting that this turn of events was also significantly affected by the fact that it had already been approved to accept into the EU three countries which not only were comparatively less developed, in terms of the mean European GDP pc, but also having a significant number of less developed regions. Such was the case of Greece (integrated into the EEC since 1981), as well as Portugal and Spain (incorporated in January 1986). The argument that integration and market forces could increase the inequality existing within those countries, as well as other future candidates, and even certain especially lagging regions which also existed within the most developed countries, became a powerful argument to support the launch of a new ERP. A policy which was also presented *as a factor of political stability* within the Union, since it provided a joint response based on the principle of solidarity that had been proclaimed from the outset.

2. “Philosophy” and objectives of the new ERP

The launch of a strong regional policy for the entire EU led to the immediate design of an action program, as well as the creation of administrative procedures to assign financial aid with Union funds. In truth, this phase covering the years 1986 and 1987 could be described as temporary, and subsequently leading to the first 1989-1993 multiannual regional development program. This involved the simultaneous approval of a reform which redesigned the operations of Structural Funds[5], which was a required step not only because of the experience acquired, but also due to the important role that they were to play and the volume of resources that were to be deployed, which in 1993 became double the figure of 1987.

As indicated in the introduction, a study of aspects related to the administrative organisation, the role of different funds and the procedures to be applied in the new ERP are all beyond the scope of the objectives of the present work. There is abundant literature on these subjects that can be consulted for that purpose[6]. However, it is worth noting that during the extensive development period of the ERP there have been multiple changes in the administrative operations and management of this policy which, undoubtedly, should be taken into consideration. This is another topic that will not be covered in this paper.

According to our objectives, there are two questions that require an answer. First, what was the initial “philosophy” of the ERP, and has it persisted as its cornerstone or not? Second, what objectives did the policy pursue? Covering all the regions, as in the case of other policies[7], or focusing essentially on the development of the most lagging ones.

The following paragraphs aim to provide an answer to these two questions which, in our opinion, can be found at *the basis of the ERP’s particular nature* (nowadays integrated into a broader ‘Cohesion Policy’), its continuity (despite the changes that have been gradually introduced) and even some of its most positive features. Later, we will approach the topic of the ERP’s achievements, as well as its possible failures (Section 4), enabling us to emphasise some aspects and conclusions which could be useful in the implementation of regional development policies in other countries, and to understand some of the problems observed in the experiences deployed in other countries, both in Europe and other continents.

3.1.- About the “philosophy” and basic principles of the ERP.

When the ERP is analysed with a certain perspective, the *basic principles* which inspired it in its initial stages have hardly suffered alterations. Among such principles, it is worth underscoring the following:

I) - Solidarity as a starting point.

[5] Particularly the ERDF, whose character was and continues to be fundamental, but also the ESF and part of the EAGGF, the Fund supporting the agricultural sector, which despite not having a fully “regional” focus, were subsequently integrated into the Union’s new regional policy.
[6] See: CEC, 1997, and other subsequent documents available through the website of the D-G. for Regional and Urban Policy.
[7] For example, in the case of Chile, Ecuador, France and others.

The key political principle underpinning the ERP and the Cohesion Policy is that the richest countries in the EU must be solidary with the poorest. This idea was already enshrined in the first draft documents of the Treaty of Rome and was subsequently reinforced in the mentioned Single European Act (1986) and the Treaty of Maastricht (1992). In practice, this entails that, as indicated earlier, the fiscal balance comprises certain countries which contribute more financial resources to the Union's budget than what they receive through other channels, whereas others are net receivers of resources thanks to the ERP and other Union policies[8].

This principle has been supported not only by *political arguments* (e. g. facilitating the integration of Member States and maximum internal social stability at scale), but also *economic arguments***.** Among the latter, there is the notion that low production levels by certain member countries and the poorest European regions is a loss of potential and opportunities for the EU overall. The economic arguments used to support regional policies stem from the harmful consequences which regional economic disparities can have on the efficiency and growth of the national economies and the EU economy. Both the theory and economic analysis provide arguments characterised by unemployment and low productivity, an approach which includes investment in modern infrastructure and innovative companies in those lagging regions, as well as the improvement of education and training of workers, do not only represent a way to favour their own economic growth, but also open up new and valuable markets, thus expanding the overall economic potential of the Union.

II) - Regional policy should always be based on long-term objectives and prolonged continuity

This argument, just as relevant as the previous, is supported by the well-recognised fact the development of any economy will always require time and simply cannot be achieved in the short or medium-term. For this same reason, pursuing the development of lagging regions and progressing towards *interregional convergence* are objectives which, in the first place, should always be considered in the long-term and, in addition, should have a prolonged continuity. Both conditions are endorsed by positive international experiences, as well as certain regional policies which failed.

The view of the ERP as a *long-term policy* is the reason for programming in comparatively long time periods and has been applied in the EU from the outset: the first two Programs spanned 5 and 6 years, respectively, while the following have always covered 7 years and, in addition, may also give rise to linked actions with an even longer time horizon. This ensures a minimum level of *continuity* and *stability* in the application of the programmed policies, regardless of any possible changes in the national or regional governments involved, as well as in the European Commission. The Community Support Framework (CSF) subscribed by countries with the European Commission at the start of each programming period cannot be cancelled or modified when the government of a specific country or region changes, allowing only for small adjustments. Moreover, the multiannual Programs and the CSF usually maintain lines of continuity with respect to the prior programming period.

[8] Including the agricultural policy, although some developed countries, like France, The Netherlands and Germany, also benefit from it.

III) Concentration as a guide.

The principle of *"concentration"* means that the ERP cannot become what could be described as a "watering can" policy, that is, a policy which may be accessed by "all" the regions in a country or group of countries. From the beginning, the ERP has been a selective policy, whose main priority was focused on promoting the development and convergence of the *least developed regions* towards the EU's mean GDP pc. Those regions with a GDP pc below 75% of the Union's GDP pc are, in principle, "eligible" to receive aid, which means that they may present, in conjunction with their country's government, a development program[9] enabling them to access those resources via the Structural Funds, with the aim of co-financing projects and investments agreed upon for each period.

The starting point of this agreement are the proposals included in the "regional development program" presented and which are incorporated, following the necessary agreements, into the mentioned CSF, which also includes the strategic lines of development adopted, basic projects to promote and financing provided by the EU. All of this is added to the resources allocated by the country, region and even municipality directly involved. The CSF, or Basic Agreement, must be agreed upon and approved before the official start of each multiannual programing period.

The principle of concentration also guides the programs and aid provided to developed regions facing internal reconversion problems to promote new industrial and technological development, etc. These areas were initially defined as "Objective 2" and later as "economic and social conversion of regions in structural crisis." Something similar has been applied in the case of actions in rural and fishing areas.

IV) Co-participation and additionality

Both also constitute two basic principles of the ERP's philosophy. "Co-participation" entails that the ERP to be applied in each country and region must necessarily be based on an agreement between the European Commission, the national government, the corresponding regional government (or equivalent authority)[10] and must also give a voice to the representatives of social agents (unions, business leaders and other relevant organisations, who will be asked for proposals and to express their opinion on the priorities). In summary, the "philosophy" espoused as a guiding principle is that programming must be approved with the participation of the representatives and agents involved (partnership).

Meanwhile, the principle of "additionality" is also fundamental and has always received the absolute backing of the Union. This involves a simple and yet innovative idea with respect to many international experiences with regional development policies. Firstly, it means that no action entailing contributions by the Structural Funds may be

[9] This "regional development program" always contains a diagnosis of the region's situation, action proposals and a cost assessment of the investment projects to be deployed during the corresponding Program's period.

[10] Not all "regions" existing in European countries have their own government, devolved competencies or even a regional assembly or parliament. In some cases, these divisions have more of an administrative rather than political de-concentration nature.

approved unless their deployment had already been included in the State budget, by the region involved or any other public company operating in the region[11]. Secondly, it means that financing received via Union funds will not cover the total amount to be invested, but instead the corresponding State, regional and local governments must also contribute a percentage of the total cost of each operation. The Union's contribution may range, depending on each case and type of policy, between 50% and 85% of the programmed investment and expenses. Exceptionally, this amount may reach 90%, such as in the case of operations financed by the Cohesion Fund.

V) – Transition from a simple development policy to a "sustainable" development policy

This principle was already enshrined in the "philosophy" of the first two programs (1989-93 and 1994-99), but it gathered significantly more momentum after the year 2000. It is based on the belief that the goal should be to promote, in all regions, a self-sustaining economic growth with a competitive capacity at an international scale.

The ERP has always sought to strike a balance between equity and efficiency. This means that the policy seeks, naturally, to promote the development of areas which are less developed or suffer problems, with the goal of achieving greater interregional convergence in terms of income and welfare, although always bearing in mind the efficiency and sustainability of the specific initiatives and policies launched.

Naturally, the ERP is not conceived as a policy of income redistribution and the actions deployed must contribute to make the economy of the assisted region *more efficient and sustainable in the long term*. Ultimately, it should ensure improvements in the productivity and competitive position of the region in a more globalised world. In this regard, investment in infrastructure, which was often a priority for the development of lagging regions, continued to be important, but since the beginning of the 2000-2007 Program it was estimated necessary to invest increasingly more in research, innovation, training, advanced technologies, commercial development, etc**.** This approach was maintained in the two subsequent programs (2007-2013 and 2014-2020), as well as the current one (2021-27).

VI) - The ERP must seek the best use of regional and local resources.

This has been another of the key criteria guiding the ERP's "philosophy." Not only to make the most of insufficiently exploited resources already existing in each territory, but also with the belief that innovation often comes from small and medium businesses with a good understanding of and ability to specialise at a local level.

Thus, the ERP has sought to promote development of each region's capacity and possibilities for endogenous development. Among other aspects, this entails respecting the differences in terms of regional growth options and stimulating the use of human resources and capacities in each region.

[11] Thus "additionality" entails that the ERP does not finance previously programed actions or investments, nor those with scheduled financing.

3.2.- Objectives of the ERP

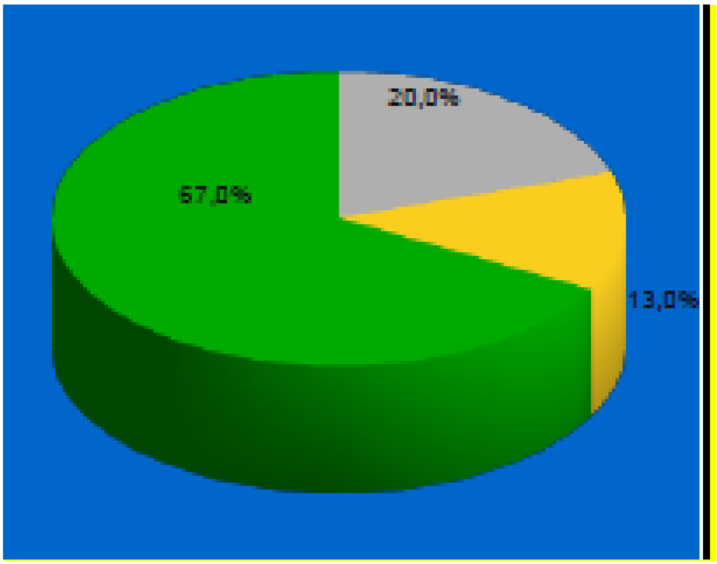
The basic objective of the “new” regional policy was clearly established from the very beginning. The intention was to reduce the income disparities per inhabitant which existed among the regions of Europe. In other words, to progress towards interregional convergence by promoting, above all, the development of the most lagging regions. To this effect, it was necessary to stimulate the exploitation of their own resources (endogenous development), while at the same time resolving other basic problems and deficiencies (communications, education, support for innovation, etc.). All this while also supporting a production output that could remain open and compete in exchanges with the rest of Europe and the world. Such an approach entailed prioritising progress not just in terms of greater equality, but also of efficiency of investment and aid.

This essential objective, which undoubtedly characterises the ERP and has always absorbed around 75% of the ERDF’s funds, does not exclude allocating resources to resolving certain problems faced by more mature regions and some rural areas too. In fact, since its inception, the ERP has considered the need to restructure declining sectors (mining, obsolete industries, etc.) in historically advanced regions, as well as certain specific problems existing in large and medium cities (congestion, transport infrastructure, increasing demand for social services, etc).

The two preceding paragraphs could lead to the erroneous impression that, ultimately, all or nearly all European regions may access the aid and benefits of the ERP. However, this is not true. From the beginning, the ERP has clearly prioritised the objective of supporting the least developed regions, which are the ones absorbing the most significant portion of the ERDF. The rest may be allocated to developed regions and areas suffering reconversion problems, and to urban areas and groups of municipalities, but not to entire regions.

Figure 1

Regional Policy. Distribution of financial resources. (Programme 2014-2020)



Source: European Commission. Green: lagging regions; yellow: regions in transition; and grey: advanced regions having specific problems.

In the first ERP programs, the economically “least developed” regions were initially described as “Objective 1 regions,” subsequently as “lagging regions” and finally as “convergence regions,” without much real change in their fundamental sense or priority. The basic condition for a region to be considered in this group and, therefore, “eligible” to access possible EU aid, is to have GDP pc below 75% of the mean European GDP pc. This division is the one discriminating priority access of regions to the Structural Funds (in particular, the ERDF) and enabling a specification of which are/will be the ones to represent the main objective. Once a region reaches or exceeds that level, it is not immediately excluded from said priority, but instead it enters an additional period of consolidation (regions in transition) providing it with access to resources that enable it to continue deploying regional development policy actions, albeit in a decreasing manner.

Figure 1 shows the overall distribution of resources of the 2014-2020 Program among the least developed regions (green), regions in transition (yellow) and developed regions (grey). In the latter case, resources were mainly used to drive technological development and innovation plans, as well as to address specific urban problems.

4.– Critical aspects and results

The previous section introduced the principles underpinning the ERP and its convergence objectives. In line with our main purpose, this section will deal with the positive results worth mentioning, as well as the least favourable aspects of the European experience for over 35 years.

The Annex summarises, as a reference, certain key features of the five multiannual Programs that have been completed to date, along with the level of financing of each one and notable observations. It would be worth adding to this the programs of 1987 and 1988 which, as previously anticipated, represented the effective launch of the ERP, despite their temporary, or bridging, nature. This section will not delve deeper into the details of each Program and their historical context, as that would distract from the objective of this work. In any case, this information is available in P. McCann (2015), W. Molle (2016) and, particularly, through the website of the D-G for Regional and Urban Policy. The European Commission has also published multiple documents detailing its successive regional policy and cohesion Programs, which are available through its website, including annual reports on the Structural Funds, successive reports on economic and social cohesion, etc.

4.1.- Evaluation of the results of the ERP

Evaluating the results of the ERP in terms of empirically measurable impact and benefit is not a simple task. The difficulties are due to both methodological causes (the method employed is always a source of discrepancies), the number of years considered, and the historical period or phase taken as reference. On the other hand, as is also common with other policies, it is worth bearing in mind that, other than in rare exceptions, the effects of regional development policies are not generally observable in the short, or even medium, term. In addition, it is evidently very difficult to “isolate” the effects of the Union’s contribution to each beneficiary country and region in relation to other external causes, often unforeseen or with varying effects among the different regions. This was clearly the case with the impact of the international financial crisis (Cuadrado-Roura, JR, Martin, R. and Rodriguez-Pose, A., 2016), as well as the one currently taking place since 2020 because of Covid-19.

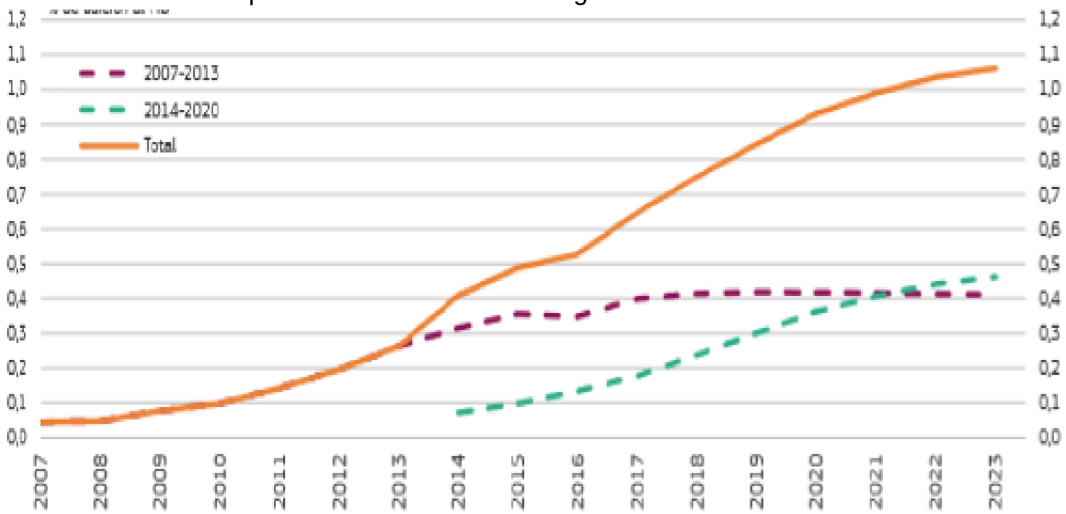
Hereinafter, the work will introduce, firstly, the positive effects of the ERP on disparities between countries and then its contribution to a greater level of convergence among regions.

a) The ERP's contribution to the growth of countries. Is the EU a "convergence machine"?

The number of works which have evaluated the "additional contribution" of the ERP to countries' GDP is considerable (Monfort, 2008; Wunsch, 2013). Figure 2 reflects the impact on the EU's GDP due to the application of the ERP's resources throughout the period 2007-2013, as well as an estimation up to 2023.

Figure 2.
Impact of the Cohesion Policy on the GDP growth, 2007-2023

Source: European Commission. D.G. Regio and Eurostat.



Source: Figures from the European Commission. D.G. Regio and Eurostat.

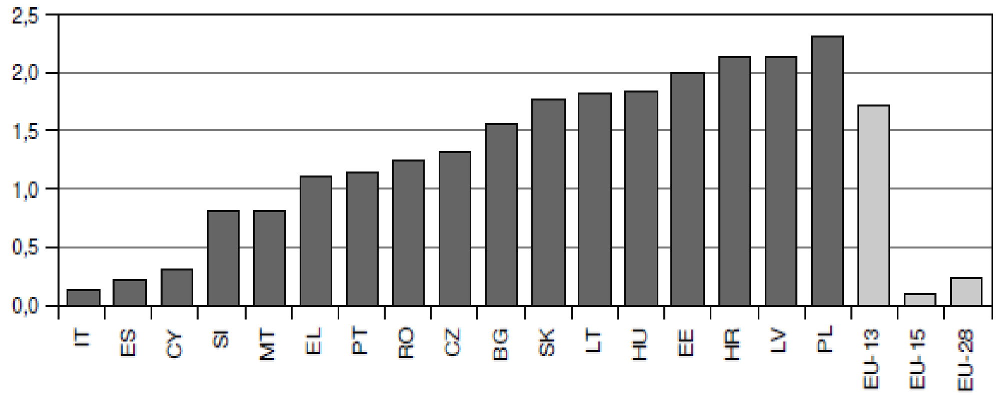
The analyses on the additional contribution to the growth rates of national economies because of the Regional and Cohesion Policy show, on average, an additional increase in GDP of those countries between 0.4 and 1.5 percentage points. The differences by country are essentially since the number of regions designated as lagging was higher in some cases than others. The examples of Spain, for a long time, as well as the more recent ones of Poland, Romania, and Slovakia, confirm that the ERP has added contributions of over one to two points of the annual growth of their respective GDPs. In the case of Ireland, which was rated as "eligible" to receive funds from the ERP during the first three Programs, the impact of the resources received on its national GDP has been estimated at over two percentage points annually.

As explained earlier, the methodology employed for these types of calculations has provided varying results. Thus, for the period 1993-1999, for example, the results of applying the Beutel, Hermin 4 and Quest models differ, even though they all return positive results. When employing the Hermin model to the case of Spain for the period

2000-2006 and, later, for the period 2000-2013, the result was an increase of 1.2 GDP points. More recent analyses incorporating the new countries integrated into the EU since 2004, such as Poland, Romania, Slovakia, Estonia, and Latvia, have confirmed contributions which are considerably over 1,5 points of their annual growth.

Estimations of the economic impact by country and overall generated through the econometric program QUEST for the period 2014-2020 have compared the effects in each of the 28 Member States (including the UK). The results show that investments by regional and cohesion policy led the EU-28's GDP to rise 0.4 points over the baseline scenario (that is, not applying the policy) in 2023.

Figure 3
Points added to the national GDP growth yearly by the cohesion policy Period 2014-2020.



Source: Estimations thorough the QUEST-model 3R&D

As shown in Figure 3, a considerable proportion of the recently integrated countries register, through the regional policy plus other cohesion funds, an additional increase of their GDP growth rates which is over two percentage points in Poland and Latvia, and over 1.5 points in the case of several other countries, like Estonia, Hungary, Bulgaria, Slovakia and Lithuania.

The recent availability of new databases has enabled a comparison of the outcomes in terms of convergence in two groups of countries: EU-15 (EU member countries in 1986) and EU-28 (the totality of member countries in 2020). taking as a reference the case of the USA (Monfort, 2020). When estimating the variation coefficient for these three datasets, the results show that, since the 1950s until the mid-1980s, both the EU-15 and EU-28 underwent a constant trend towards a reduction of disparities in GDP pc. Subsequently, countries in the EU-15 group have continued with this process of reducing disparities, although the crisis of 1982-85 caused a temporary worsening and also the subsequent trend towards convergence slowed down until 2008, when the impact of the significant international crisis imposed a change of direction, which persisted into 2017.

The behaviour of the EU-28 group was different. When considering the economic difference of Central-Eastern European countries which would later join the EU, the variation coefficient of this group in the early 1960s was 0.37 versus the 0.26 of the EU-15 group. In addition, whereas the latter group of countries improved substantially and almost continuously their convergence index until early 2000 (up to 0.13, on average), the variation coefficient, as an indicator of convergence of the EU-28 group, which included those Central and Eastern countries, hardly improved, so that in 2000 its result was 0.34, very similar to the one from 1965. However, when those countries became incorporated into the EU, the resulting indicator of the EU-28 block recorded a rapid reduction, until the mentioned coefficient reached a value of 0.25. The international financial crisis did not cause this progress to stall completely, but instead it continued up until 2016.

Seeing the recent evolution of convergence among EU countries, some authors (Wunsch, P., 2013; Buti and Turrini, 2015; Coutinho and Turrini, 2019; Biscari, Essers and Vincent, 2020) have questioned whether the “convergence machine” which the EU had proven to be, continues to work, or not. Their answer is still provisional and has been affected by the economic impact of the Covid-19 pandemic, leaving multiple open questions. However, it does indicate that it could continue operating in coming years, both because of the broad scope and integration of the European market and thanks to the continuity of resource allocation for the ERP via Structural Funds. This has recently been strengthened by the approval of the extraordinary “Next Generation EU” recovery and resilience program, which includes a contribution of €806.9 billion (at current prices) in the period 2021-2027, through non-refundable contributions and credits for new investments (European Commission, 2020)

b) Did the ERP achieve regional convergence?

As previously indicated, driving a convergence process for lagging regions to the richest and most dynamic ones has always been a fundamental objective for the ERP. Bearing that in mind, data and the majority of the analyses conducted have concluded that the greatest number of lagging regions have indeed converged towards the EU’s mean GDP pc. The cases of Ireland, Portugal, Spain, East Germany and even Italy provide generalised empirical evidence, both in a first phase (Cuadrado-Roura, 2001; and Cuadrado-Roura and Parellada, 2002; Monfort, 2008) and also when the analysis is extended to more recent times (Bachtler and Berkowitz, 2017; Diaz del Hoyo, Dorrucci et al. (2017); Krieger-Boden, 2019; Ezcurra, 2019; Cuadrado-Roura, 2021).

The progress towards reducing interregional differences in some of the more recently incorporated countries has also been particularly relevant in several cases (e. g. Poland and Estonia), and positive in practically all countries, in spite of the differences observed when comparing them. The RHOMOLO model has been used to estimate the general impact of ERP financing during the 2014-2020 period (Crucitti, F. et al, 2022). This effect is greater in regions of Central and Eastern Europe, which are currently the recipients of the largest share of funds. It has been calculated that, in the Polish regions of Slaskie (Silesia), Podkarpackie (Subcarpathia), Malopolskie (Lesser Poland) and Lubelsjie (Lublin), as well as the Hungarian regions of Északr-Mgyarorszag (Northern Hungary) and Észak-Alföld (Northern Great Plain), GDP will have increased, on average, more than an additional 2.5% annually throughout the period. This must relate to the fact that those regions displayed the greatest differences in infrastructure, where the investments have already shown a remarkable impact, particularly due to the pull effect of their construction. Likewise, investment in human resources has also been, and continues to be, positive and greater than that carried out by more developed Member States, which has also caused these investments to have a particularly significant effect. Lastly, we must not forget that that these outcomes are likely to be confirmed even more definitively in the long-term.

As highlighted by Krieger-Boden (2019), the effect of the Union's contributions is not only reflected in the growth rates and reduction of disparities among countries, but also in terms of work productivity and changes in productive structure of those economies, with a significant reduction of hidden unemployment. However, the interregional disparities within some more mature countries, such as Germany and France, have remained, even though the East German *länder* recorded a clear progress in their GDP pc, in which the ERP's funds played a very important role.

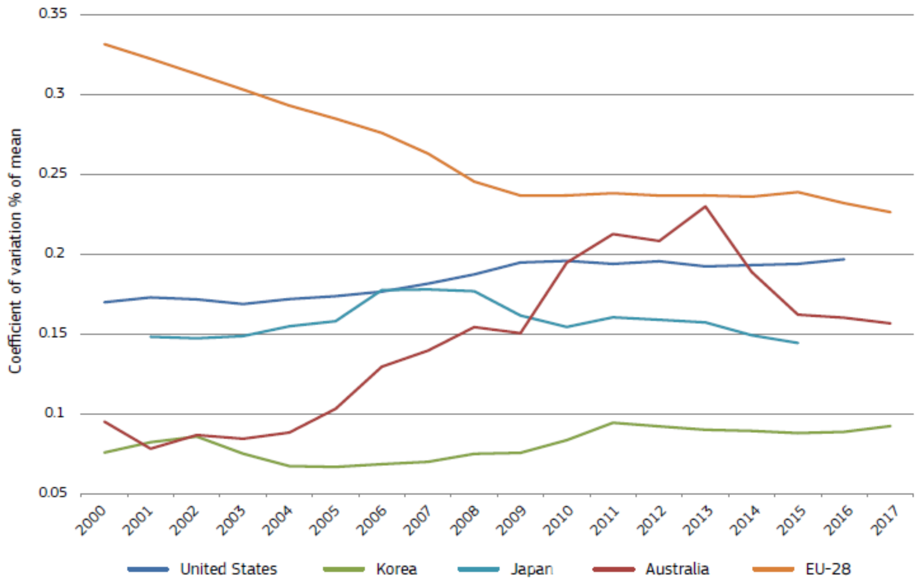
The discrepancies uncovered when estimating the progress achieved in terms of convergence among lagging and highly developed regions require case by case studies. In part, these discrepancies are a product of the measurement of effects, which entails considerable technical difficulties linked to the model used and to a lack of extensive regional data series, even though the EU has a common statistical database (Eurostat). There is agreement in declaring that, although the topic could be studied taking into account all European regions, the analysis of outcomes in each Member State produces more nuance and shows differences existing within each country. In the case of Spain, for example, both the country and its regions have clearly progressed towards the mean European GDP pc. The country even surpassed the threshold of 100% of this mean value, but not all of its regions have experienced the same progress and in fact four of them continue to be assisted regions, since they are below 75% of the mean GDP pc value. One clear observation is that the convergence process was interrupted by the impact of the great international financial crisis (Cuadrado-Roura, and Maroto, A., 2016), but with different reactions among regions with mature economies versus the more rural.

From a more aggregate perspective, it is worth contemplating how interregional convergence has evolved in terms of GDP pc in Europe (values in PPS), taking as reference the variation coefficients of the EU-15 and EU-28 according to regional data at the NUTS-2 level[12]. Figure 4 shows the differences observed when using the regional data corresponding to both groups of countries during the 2000-2018 period. In the case of the EU-15 regions, the variation coefficient was already very low, and it continued this downward trend until 2007-2008, with the international crisis, when there was a relapse in convergence. In fact, this coefficient went from 0.26 in 2006 to 31.1 in 2018. However, if we take as reference the NUTS-2 regions of the EU-28 countries, what can be observed is that the starting point of the disparities, which was 0.42 in the year 2000, registered a rapid fall to 0.35 in 2008, and then subsequently stopped and remained stable around a variation coefficient value of 0.352 in 2018.

[12] Some authors (e.g. Bisciari et al., 2020) have highlighted the importance of analysing on a case-by-case basis, and also pointed out that NUTS-2 regions include several examples with significantly different dimensions, which skew the results. Some even advocate employing NUTS-1 regions, which are more homogeneous in terms of size.

Figure 4

Evolution of regional disparities in some industrialized countries and the EU-28. (Period 2000-2018; en GDP p.c., PPS)



Source : OECD (except EU-28, from Eurostat : D-G Reg. & Urban Pol. Ref. Monfort, 2020.

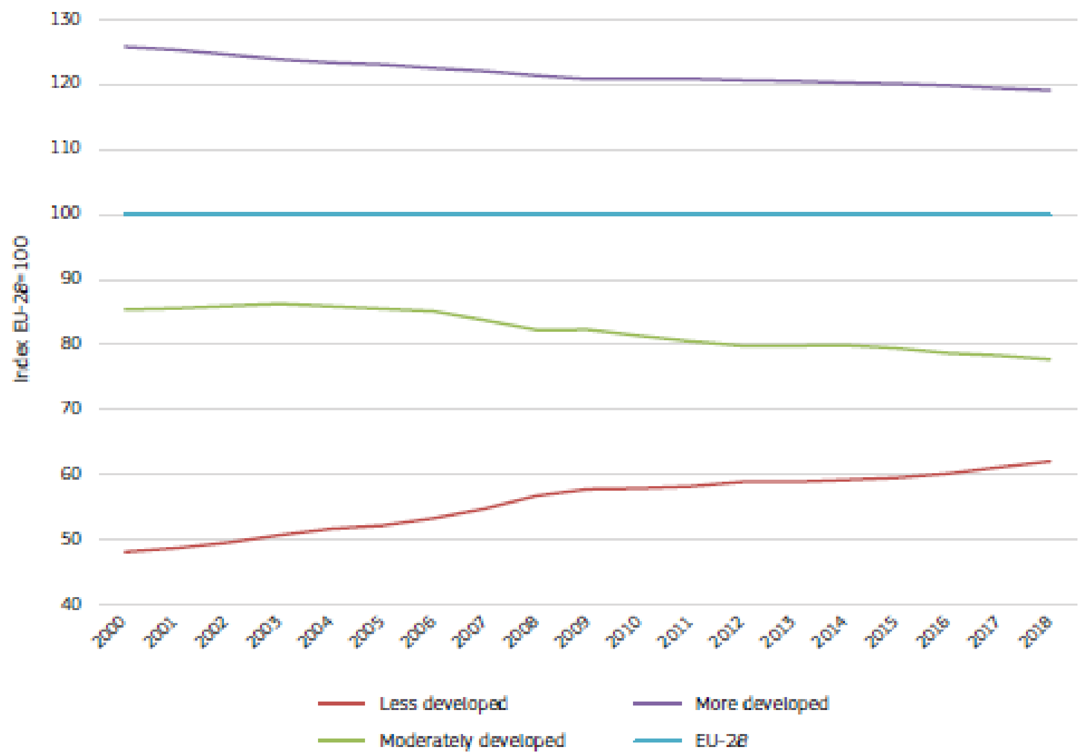
It seems clear that the regional convergence process has been due to the relative fall of the more developed European regions (period 2000-2018) and the progress of the less developed regions as Figure 5 shows. On the contrary, the regions moderately developed regions show a light process of divergence that can be explained, by the effects of the last economic and financial crisis (2008).

Two recent analyses (Bachtler et al., 2013 and 2017; and Darvas et al., 2019a and 2019b) concluded that the ERP has produced positive effects in lagging regions but not so much, or as clear, in regions undergoing industrial restructuring processes and some less developed regions where the aim was to promote objectives related to greater economic efficiency, higher productivity and more technological development, whose effects are difficult to evaluate in the short/medium term. On the other hand, Bachtler et al. (2017) highlighted a very interesting point: the more positive results registered in some regions are due to good governance, to the region's own geographic characteristics and also to the sectorial structure of those regions. Darvas et al. (2019a and 2019b), in an analysis of the database on projects launched, concluded that the effects of the ERP were always positive; particularly:

- In interregional projects
- When projects have a long-time horizon (two or more Programs)
- When the regional Administration is efficient and with better technical capacity
- When the number of priorities is limited, and investments are focused on them

Figure 5

Evolution of regional GDP p.c. by groups of regions 2000-2019: More developed; Moderately dev.; and less dev. – NUTS 2 level



Source: Figures from Eurostat and D.G. Reg. and Urban Policy.

c) The great drive-in transportation networks

One of the most striking achievements of the European regional policy lies in the modernisation and development of transportation networks (airports, seaports, railways, roads, and highways). This has been notably aided by resources from the EDRF and Cohesion Fund, created in 1994[13]. The current transportation networks are at the forefront in terms of sustainable, efficient, and safe mobility, and have also improved access to all regions.

By making these investments aimed at promoting economic development and competitiveness, the ERP has sought to ensure that those networks offered lagging regions greater accessibility and the possibility of exporting and attracting visitors and tourists, as well as new investments. All this improves, or has the potential to improve, employment, productivity, and the real income of households, and reduces costs for productive businesses in the region (Beugelsdijk, Mariko and Milionis, 2017), while at the

[13] Finances environmental projects and trans-European networks in states with a GDP pc below 90% of the Union's average. Its first phase benefitted Greece, Portugal, Ireland, and Spain. At present, the resources are more focused on Central-Eastern European countries, incorporated into the EU in 2004 and 2007. Therefore, its aim is not "regional," even though in several cases it has contributed to promote connection among regions and facilitate exchanges and development of new activities in lagging regions.

same time benefiting other regions. In summary, these investments have driven territorial integration within each country, within the EU, and even at an international level beyond the EU.

A substantial part of the cohesion policy's financing has targeted the improvement of infrastructures. In the period 2007-2013, this goal accounted for nearly 49% of the total, while the percentage for this objective in the period 2014-2020 was lower. Nevertheless, there are considerable differences when comparing regions in relation to the greater or lesser emphasis on this aspect of development.

The high investments made thanks to the ERP and Cohesion Fund have been subject to criticism related to their efficiency, as observed by Biehl (1986), as well as the lack of coordination, which was apparent in some cases, based on simultaneous investments in different methods of transportation (high-speed rail, airports, and motorways), which ended up competing each other. In addition, criticism of the role of these infrastructure investments in relation to their contribution to productivity is well known and has been questioned some years ago by Ashauer (1989), (Munnell (1990); Ford and Poret (1991); and Berndt and Hansson (1992), for example.

Recent approaches to infrastructures investments (EC, 2022) support basically that well targeted investments and network design are crucial for a transport system that provides accessibility to people and businesses, as well as for reducing regional disparities in connectivity. In terms of accessibility and connectivity, rail passenger transport has the potential to be a substitute for short-distance flights and road journeys between cities, if network design, service frequency, and travel speed are sufficient to make it an attractive alternative. On the other hand, urban environment and congestion poses another important challenge and the option is for more sustainable modes, including public transport and non-motorized means of moving around. Particularly due to the concentration of the population and shorter journey distances.

d) Investment in human resources

The cohesion policy's investment in human capital represented 21% of the total financing in the 2007-2013 period and approximately 23% in the 2014-2020 period. The estimation resulting from the models used to evaluate the effects shows that a 1% increase in training expenditure in a region leads to a 0.3% increase in labour productivity, which improves that region's competitiveness and also drives GDP growth. Nevertheless, it also entails an increase in labour demand (due to lower unit labour costs derived from the increased productivity), which in the long-term drive salaries higher.

In addition, it is worth bearing in mind that, unless it is accompanied by actions to increase the region's productive capacity, more education could lead to the emigration of more educated individuals towards other regions offering jobs that are more attractive and more suited to their level of education/training.

The net effect estimated for 2030 of the investments in human capital is significantly positive (8th Cohesion Report, EC, 2022). It is important to consider multiple aspects, including the fact that investments in human resources generate a regional expansion through commercial links, thus also benefiting other regions.

e) Achievement of a better balance between regional and urban development

European regional development programs increasingly consider the specific challenges faced by cities and rural areas. In the case of cities, the initiative 'Urban' already launched by the European Commission in the mid-1990s aimed at promoting solutions for specific problems in European cities. Later, in the 2014-2020 Program, urban problems were incorporated fully into the ERP, and this continues to be a pririty (EC, 2022)

In the case of rural areas, the EAGGF (European Agricultural Guidance and Guarantee Fund) and the ERDF paid special attention to their development, the improvement of living conditions in those areas and the promotion of new activities. The development of tourism and local industries has been addressed by specific programs (as the "LEADER" programme[14]), with some highly successful examples. Aid targeting rural areas was consolidated and integrated within the Cohesion Policy through Multiannual Programs (2007-2013 and 2014-2020) and it appears to be proven that one of the challenges faced by any policy seeking to improve territorial cohesion is that of ensuring and strengthening administrative and institutional capacities.

The results obtained are still not sufficiently evaluated and satisfactory, but this is the goal that is being supported at the appropriate territorial levels, from the most challenged lagging districts to entire metropolitan areas, as well as river basin and mountain regions, depending on the country.

Urban topics and the role of cities have garnered increasing interest from the ERP (Lavalle, Pontarollo et al. 2017), particularly after the 2000-2006 Program. Several subsequent analyses have underscored the achievements in terms of the issues tackled (see: https://op.europa.eu/en/web/accessibility/) as well as the success of numerous one-off actions.

f) **Application of a policy evaluation system and the effects on the improvement of administrative management**

After the first two multiannual programs (1988-1993 and 1994-1999), it was decided by the European Council to implement a systematic evaluation of regional policies, which was been applied since the 2000-2006 Program up until today. Naturally, these evaluations seek to be technical, rather than political, and do not focus on tax or compliance issues, which follow different channels.

The system consists in an initial '*ex ante'* external evaluation, which looks at the coherence of the programs submitted by regions in terms of their objectives, priorities, projects and expected results. This is taken into consideration when guiding the aid that could be awarded through Structural Funds. In addition, an '*ex post'* assessment, also technical, focuses on achievement of objectives, as well as the preliminary results of investment. These are complemented by an *'ongoing'* evaluation, with a more instrumental approach, since it seeks to assess development of investments, problems to be solved and any possible modifications advisable. These evaluations are carried out by external teams to the Administrations involved in all cases and have provided the ERP with a very important component of effectiveness and discipline.

[14] 'LEADER': "Liaison Entre Actions de Développement de l'Économie Rurale". Its objectives were to combat depopulation of rural areas through economic diversification with the participation of the interested population, businesses, associations, and Administrations in beneficiary rural areas.

The evaluation system implemented has been described as one of the most relevant achievements of the ERP, since it contributes to an assessment of the real effects of the projects in relation to the planned goals and, in addition, induces the national and regional authorities to incorporate it and gain clarity and efficacy at an administrative level.

Another achievement worth noting has been the ERP's progress in terms of organisation and procedures. Although there has been abundant criticism regarding the amount of bureaucracy generated to implement the ERP, it has also produced two undeniably important achievements. The first is that it has consolidated an entire system for the Programs, including drafting, presentation of proposals, discussion of contents, etc. up to the CSF subscribed by the Commission and the country involved. Moreover, the procedure has been improved and simplified, based on the experience acquired after the first Program. The second achievement is that the ERP has had the effect, in all countries in general but particularly in Southern and Eastern ones of forcing all the Administrations involved to introduce organisational criteria related to control and accountability, both in their proposals and in the subsequent implementation of the projects. The audits demanded and conducted by the European Commission have driven an increase in administrative efficiency and penalised cases of corruption or inappropriate use of the resources. This, coupled with the introduction of evaluation systems for programs and projects has been, without a doubt, and despite possible deficiencies, a positive contribution of the ERP.

4.2 – Criticisms and negative aspects of the European Regional Policy

The ERP has also had, undoubtedly, multiple aspects and results that could be considered as negative or which have been subject to criticism. In some cases, this has led to changes which are currently underway, while in others they are still pending. In any case, it is important to review several issues which have received criticisms, and which illustrate some of its shortcomings:

1)- General criticism regarding its "effectiveness"

A review of a significant number of works and reports, both external and within the European Council and European Commission, highlights the fact that the ERP has not been free from criticism. Some have originated among "net contributor" countries to EU financing, as Germany, The Netherlands and Denmark. Many of these have focused on the bureaucracy generated during the application of the ERP and the Agricultural Policy., as well as many others in the EU. Likewise, there has been considerable debate on the effective results of the ERP, since some works have concluded that the quantitative "achievements" of this policy are less clear than what the models estimate[15].

[15] In the period 2002-2004 there was even talk of reducing allocations to cohesion funds and the agricultural sector. See: Sapir Report, A. Sapir et al. (2004). This debate was prolonged until the approval of the 2007-2013 Program, which agreed to continue the cohesion policy and, if necessary, readjust it due to the incorporation of ten new Central-East countries into the EU.

The most highly criticised point is the persistence of unemployment in lagging areas and the emigration of young workers, which has aged the local population and created a lack of qualified individuals to attract dynamic businesses with appropriate technologies.

The conclusions of some academic works, consultancy reports and studies conducted by the D.G. of Regional and Urban Policy itself differ and do not provide consistent findings. There are several reasons for this. The first is linked to the different periods analysed. The second is because the cohesion policy operates in very different economic context, which has caused some actions that were successful in certain cases to not have the same outcome in other situations. The third factor is that separating the impact of the EU's expenditure from the impact of national expenditure and/or the behaviour of the national economy is a difficult challenge. The fourth is that not all projects are closed simultaneously, and thus it is normal that on the date of any analysis some projects will have concluded, while others will be ongoing or even recently begun. Lastly, we must remember that there are always some spill-over effects: actions in one region may have an influence in other, neighbouring regions, particularly when there exist close links between them.

As pointed out in Section 4.1, many different analytical models and techniques have been applied to assess the results, including simulation models, contrafactual scenarios, input-output and econometric models, and each of these options has its own limitations. In addition, it is evident that the impact of the cohesion policy always has a certain lag-time, so that, as expressed by Darvas et al (2019b), the specification of dynamic impact creates further complications.

The result we may extract from all this can be summarised as follows:

- A high number of studies (at the level of the EU country or a specific region) have found, as we saw previously, positive results. The ERP has driven the growth of lagging regions, so that practically all of them have converged towards the Union's average (as in the case of the German *länders*, Ireland, Portugal, the Spanish regions, and, more recently, Poland, Romania, Czech Republic, and other Union countries).

- However, some studies limited to a single country and its internal outcomes have raised doubts about those positive results. What appears clearly is the relevance of the "national effect" in the regions and the varying impact of the crisis or economic setback suffered. Lastly, some works have also concluded with results that were either negative or did not support the positive effects of certain projects, e. g. the funds allocated to road construction (which also generate suction or polarisation effects, without a clear benefit for the regions involved).

Some discrepancies have been based on the well-known conflict between efficiency and equity, always present in economics and economic policy. From the ERP's outset, the EU opted for prioritising a focus on "equity." However, since the beginning of the present century, the EU has increasingly considered as an objective the need to reduce differences in productivity, technological capacity, and competitiveness among its economies the USA. This gave rise to the strategies of Lisbon (2000 and 2005-06), as well as the 2020 European Strategy, contemplating all of Europe, which raised the possibility of combining cohesion policies (solidarity, equity) with the attainment of greater efficiency (European lag versus other large economies), through proposals targeting a reduction of the ERP's weight in the Union's budget.

2)- Lack of a clear "development strategy" for the least developed regions

The ERP has been accused of lacking a clear and common strategy regarding the growth of regions. From this perspective, it has been argued that the "projects" submitted by regions and countries to the Commission's approval and their financing received more attention that the design of a regional development strategy which offered clear guidelines for all projects and actions to be implemented and which, at the same time, could be as general as possible. Some works (Bachtler et al. 2017) have pointed out that a good number of regional development programs submitted to Brussels in the initial years did not offer a vision of what they sought to achieve in the short term, and instead were a list of projects which should be carried out to "improve" the region's economy[16].

This conflict has been corrected, at least in part, in the proposals included in the last three multiannual Programs, since the Commission itself established certain objectives which should be achieved in order to drive technological development throughout the entire EU, which tipped the balance towards general efficiency considerations rather than convergence or equity. This in turn has led to notably critical positions about the reorientation of the ERP, which contemplate counterarguments that favour its initial essence. In addition, there is also the argument that each country (and also their regions) has different crucial needs, so the deployment of resources (always scarce) gives rise to different priorities for the actions to implement and the fields in which to do so at each stage of the regional policy.

Table 1. Allocation of regional funds by some countries, 2000-2013.

	Germany	Italy	Spain	UK
Business support	30.40	30.49	10.36	48.73
Energy, environment and natural resources	10.99	10.84	26.61	1.73
Social infrastructures and human resources	3.38	2.02	5.48	7.60
Research, Technology And IT services	17.71	10.41	8.68	11.87
Transport infrastructures	21.81	22.14	33.42	5.82
Other	15.71	24.10	15.46	24.25

Source: Estim. from European Commission data and CERC data

Undoubtedly, it is not easy for a lagging region to drive technological progress or develop R&D projects, whereas more developed and central regions are able to do it. In

[16] Crescenti and Glua (2018) even questioned whether we should talk of one or several European cohesion policies, based on the effective objectives and approaches adopted in the actions of different countries.

the first case, their priorities may be to resolve key infrastructure, communications, and territorial connection problems, along with supporting education and improving human capital. In fact, when we examine the distribution of investments by topics adopted by countries when deploying cohesion funds (Table 1), it is evident that there is a clear diversity in investment priorities, which cannot be criticised, since it means that there is, or there was, a “development strategy” for lagging regions and those undergoing restructuring processes. The United Kingdom, for example, prioritised the promotion of business and technology, while Spain emphasised investments in infrastructure and communication networks and the structure of investments in Italy and Germany provided a more balanced composition than in the two previous cases. As a result of these differences in the use of funds, as well as differences in terms of the impact of cohesion policies, it would be more appropriate to talk about multiple policies, rather than one (Crescenci and Glua, 2018).

A more detailed analysis of the projects and priorities by countries and regions shows results which, in our opinion, “justify” that it may not be the best approach to establish a common “strategy” for all the EU to use the cohesion resources. Based on the breakdown of expenses provided by the European Commission[17], the UK shows a marked predominance of investments in technology parks, industrial estates, urban renewal, waterfront projects, and also highway improvements. In contrast, Germany has pursued a type of allocation that is not possible in other less developed countries/regions, such as business services (auditing, technological consulting, environment, hi-tech and innovation, etc), while in Spain, many of the projects presented were mostly connected to the extension of the national highway network, development of high-speed rail, renewal of airports, etc. and far less to the development of new businesses.

3)- Bureaucratisation and delays in the processes

This criticism was very present after the outcome of the first multiannual Programs (1988-1992 and 1993-1999) and, unquestionably, had a very real basis. The first steps in the implementation of the ERP established a very strong dependency on and intervention of the European Commission, both in terms of the design and execution of actions. Obviously, this also involved a significant level of bureaucracy, perhaps justified by a desire to avoid disorder and a possible waste of resources, but which caused considerable delays in the approval of the programs, the process required to transfer the financial resources and the execution of specific projects.

From 2000 onwards, there have been some very clear improvements in this sense. Firstly, the “principle of subsidiarity” has been applied more definitively. In addition, there has been a tendency to approve operational programs with a more global nature, which has facilitated a greater level of flexibility in the application of specific projects by the Administrations of beneficiary countries and regions. A similar simplification has been introduced in the regulations of the Structural Funds.

Despite the simplifications and improvements introduced, this type of criticism continues to have a base and remains relevant (Demertzis, Sapir &Wolf, 2019). Nevertheless, it is understandable that the management of such a broad and varied set

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[17] Vid: *European Union online. List of Beneficiaries* and also some publications on specific works, which clarify this issue: http://ec.europa.eu/contracts_grants/beneficiaries_en.htm http://ec.europa.eu/regional_policy/en/atlas/beneficiaries/

of economies must follow highly detailed administrative and legal procedures to ensure its efficiency and to avoid the possibility of an inappropriate use of resources[18]

4)- Incoherencies between sectorial policies and the regional policy

The EU legislates and promotes directives, guidelines and regulations aimed, essentially, at the various productive sectors or the exploitation and exportation of specific products. The same is true within each of the countries: the different ministries make decisions and promote economic policies based on the sectors over which they are responsible. Thus, it is easy for contradictions to arise between *sectorial* lines of action and the *regional policies* implemented. This topic has produced abundant literature in the field of regional development.

However, regardless of the possible theoretical considerations, the conflict between sectorial and regional policies has been present in the EU (particularly in sectors like agriculture, transportation, energy, and other). This problem does not have a simple solution, because the main participants on each side do not always coincide and, therefore, pressure from each will appear and reappear. This has been the case in the context of the EU, but also within each country, where a solution is, or should be, more viable (McCann & Ortega-Argelés, 2015).

5)- Centralisation versus regionalisation

The background to the conflict between centralisation and decentralisation (or regionalisation) is, above all, a political problem which does not affect all the Union equally. In Europe, the distribution of competencies (and, therefore, of power) between the central and regional governments has some very diverse examples. Germany is a federal country, where the regions are “states” and Spain has a federal-type state, in which regions are “autonomous communities” with even more autonomy and power than in many federal states. Meanwhile, France is still a highly centralised country, although it formally has “regions” with a reduced transfer of power and competencies and Portugal has not developed any real decentralisation or de-concentration of power.

In the latter cases, as in other Union countries, it has been necessary to define and demarcate regions in terms of the ERP, which is fundamentally guided by a regionalisation based on the NUTS-2 regions[19]. This situation has not been an obstacle to implement the regional policy (the principle of “co-participation” or “partnership” requires regions to exist or be created administratively, but the underlying political

[18] The EU’s development has given rise to a very broad set of rules and regulations generally applicable by all countries. Clearly, this is necessary so that the EU and all its Member States can operate homogeneously, but it is also true that it generates issues in terms of implementation and adoption by each country.

[19] The acronym NUTS means “Nomenclature of Territorial Units for Statistics”. NUTS-2 regions are those taken mainly into account in the ERP and each country defines them beforehand (either identifying them with the State’s autonomous communities and regions recognised in its Constitution or else by drawing the limits of its regions through administrative action. For certain actions, the ERP has also considered NUTS-3 regions (generally identified with provinces, but also with districts and counties “within” each NUTS-2). Lastly, there are also NUTS-1 regions, which are larger and the result of combining several NUTS-2 regions. These are not applicable in terms of the ERP, but they are used to define common problems and features of NUTS-2.

question of de-concentration, decentralisation, and regional autonomy, does indeed persist in some countries.

6)- National or continental growth versus regional growth

It seems evident that the growth of a region does not only depend on its own effort or the application of a regional development program. The growth patterns of countries clearly influence their regions (even if it is in a heterogeneous manner) and, as was pointed out previously, the phases of economic cycles and crises impact the economic trajectory of regions, albeit with greater or lesser intensity, depending on their productive structure.

On the other hand, projects with an interregional nature have different effects in the affected regions. And, evidently, the economic evolution and growth of each country and of the EU, as a whole, may regularly have “regional” effects. For this reason, in the case of Europe, the application of stability policies against the financial crisis which began in 2007-08 had uneven effects in each region. In addition, the focus at a Union level on technological progress and productivity at a macroeconomic scale led the EU to support policies that were not easily reconciled with the ERP. This has been addressed in the Programs of 2007-13 and particularly in the Program 2014-2020, by assigning to the ERP objectives that were more in line with the macroeconomic goals.

5.– Possible application of the experience of the European Regional Policy outside of Europe

The more than 35 years of experience gathered by the ERP endorse the possibility of transferring some of its principles and modes of application to other countries.

However, it is not always easy to extract recommendations from the European experience that may be applied to other nations or regions in the world. It may not even be appropriate. The features and interregional disparities observed in some emerging economies are different and, in general, greater that those which characterise European economies. In addition, as shown by some studies, European lagging regions are often more integrated into the global economy, mostly because of the progress towards a Single Market that has taken place in the EU.

Therefore, it does not seem acceptable to talk of “recommendations” or “advice” for other countries, but rather “lessons learnt” from the European experience in regional policy, which are clearly backed by its unique history, very distinct and more extensive than many regional policies tested in multiple countries around the world.

In any case, *and with no intention to impose, but rather suggest*, it would seem that the exercise conducted by the ERP may enable some of the key criteria, guidelines and practical decisions guiding its design and execution to be identified. Therefore, and without delving into particulars, the following list of fourteen points has been compiled[20]:

[20] In several cases, these points coincide with what we have defined as the “philosophy” with which the ERP has been built and implemented, described in Section 3.

- Regional policy (RP) should always be conceived with the perspective of a *long-term action.* It is not possible to aspire to develop lagging regions and promote convergence with rich and dynamic ones by adopting a short or even medium-term outlook. This has been Europe's approach and thus its seven-year programming periods.

- A parallel condition which is linked to the previous one has been continuity, which undoubtedly has enabled the ERP to achieve relevant and significant objectives. It is not enough to approve and apply an initial multiannual program; the European experience proves that only by *linking programs* is it possible to aspire to achieve the objective of convergence.

- These issues are related to *two facts*: 1) it is difficult to reach objectives related to creating a stable and sustained process of economic development in the short or medium term, and 2) many actions and projects initiated by a multiannual program require extension into or completion in the following program. For example, the activity of support hubs for entrepreneurs or the introduction of new technologies in businesses, among many others.

- Planning regional policy with a *long-term perspective* and sufficient continuity also requires that the policy is not linked to electoral periods and possible political changes. This is also a very positive European experience. In contrast, there are abundant examples of regional policies implemented in other countries which, despite having the best intentions, were later dismantled by changes in governments or policies[21]. In addition to inefficiency, this often entails a waste of the resources deployed.

- Naturally, the foregoing requires *a stable financing commitment***,** based on a coherent program which clarifies, from the outset, how the intended regional policy will be financed. The system of European Funds may also be transferable to other countries insofar as it involves continuity and a certain level of accumulated specialisation and experience by its administrators.

- The principles of *concentration, programming, additionality, and co-participation* which have guided the ERP have proven to be instrumental in leading it through rational avenues and ensuring that its implementation would not depend on a central authority, but rather on cooperation among the Administrations involved and the participation of representatives of the citizenship directly affected.

- The principle of *concentration* specifically entails that the regional policy designed must be "selective" in terms of the regions or territories that will be its main beneficiaries, focusing only on some of them, the least developed or those with very clear problems, rather than seeking to act on and distribute funds to the entirety of a country, even if it is done unequally.

[21] In Latin America there are abundant examples of this.

- In addition, it is also important to design, from the beginning, an objective (or "non-political") method to *allocate the resources*. The procedures to obtain financing and how resources will be assigned to the programs and regions must be very clear. All of this should be based on simple and clear statistical indicators, which in turn means that the application of the regional policy presupposes the existence and maintenance of a reliable statistics institute.

- The element of the European experience which *imposes co-financing* of the projects has been, and continues to be, very positive. This entails that the financing of individual programs and/or projects is comprised by two contributions: one from the Structural Funds (with percentages which vary according to the policies, and which can range from 50% to 85% of the total cost of each project) and another from local resources or funds (public or private). This co-financing forces, on the one hand, a rationalisation of demands and, on the other, helps to prevent regional policies being viewed as simple donations and aid, which could lead to decisions with a clear "political" bias. From this point of view, the notion that "nothing is free" is true and very relevant.

- A decision must be made between supporting integrated programs (e.g., promotion of complementary actions in areas like infrastructure, human resources, and business development), or else *promotion of individual projects***.** The EU backs both types of initiatives through different funds. The integrated programs naturally require greater institutional capacity by regions. When this is not present, experience indicates that it is better to opt for individual projects.

- In the EU, *a dilemma* has been raised between depending totally on aid or combining aid and repayable forms of support, using other financial instruments for this purpose**.** The second option has been selected with increasing frequency in the EU, with the goal of increasing the pool of available resources, establishing incentives for the beneficiaries to become efficient and leveraging the knowledge of additional experts from the banking and financial sectors.

- The European experience has proven the need of always applying supervision and, above all, an *evaluation of the actions* to prove their "added value," both to beneficiaries and contributors. This requires a certain technical capacity by the program administrators and also the prior establishment of evaluation systems which may be outsourced to technical teams from universities and research centres.

- The element of *"conditionality"* associated to the programs is a matter that has always been considered important in the EU. Among the key initial conditions related to the reception of support by the ERP are a respect for the free market throughout the Union, that is, for rules of competition in relation to State Aid and clear rules about the public adjudication of contracts. Likewise, the EU demands compliance with environmental policies and regulations, observance of the principle of equal opportunities and an approach based on collaboration and participative democracy. Not complying with these requirements may give rise to economic sanctions and even the cancellation of aid.

- Promoting *cross-border cooperation* (overcoming borders between countries and among neighbouring regions within a country) has been a characteristic feature of the ERP, which has been reflected in specific aid and financing for projects. The benefits of this approach are self-evident: on the one hand, it has promoted collaboration with neighbouring countries, whether they were part of the EU, and, on the other, internal interregional collaboration has consolidated the relationships between collectives which, on occasion, were relatively divided or isolated and has promoted a common approach towards problems affecting more than one region (transportation networks, social services and care, some sectorial policies, etc.)

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INDEX OF ACRONYMS:

CAP	Common Agricultural Policy
CP	Cohesion Policy
CSF	Community Support Framework
DG	Directorate-general
EAGGF	European Agricultural Guidance and Guarantee Fund
EC	European Commission
ECF	European Cohesion Fund
EEC	European Economic Community
ERP	European Regional Policy
ERDF	European Regional Development Fund
ESF	European Social Fund
EU	European Union
EUC	European Union Commission
GDP	Gross Domestic Product
NUTS-2	Nomenclature of territorial units for statistics. Number 2 refers to 'regions'; number 1 to 'macro-regions; and number 3 to counties, provinces or departments.
SEA	Single European Act
TEU	Treaty on European Union

ANNEX

Some key features of the ERP and multiannual Cohesion Programs

- **Program 1989-1993**

Financing reached €69 billion or 25% of the European budget. The main beneficiary countries were Spain, Italy, Portugal, and Greece. About 71% was allocated to "objective 1" regions, and the Commission estimated that these countries generated over 600,000 jobs in total. The analysis of the CSF approved shows clear differences in the priorities selected by each country. Spain focused on infrastructure while Ireland prioritised training and the creation and attraction of businesses.

- **Program 1994-1999**

Financing was more than doubled, reaching €170 billion, more than one third of the European budget. In addition to the existing Structural Funds (ERDF, ESF and EAGGF), a Cohesion Fund (ECF) was created, targeting countries with a GDP pc lower than 90% of the European average. The main beneficiaries of the ERP were Spain, Germany (including the Eastern *länder*), Italy, Portugal, Greece, and France. Although construction and improvement of transportation infrastructure weighed significantly, support for SMEs was particularly important (811,000 in total).

- **Program 2000-2006**

Financing of the cohesion policy reached €213 billion plus another €21.7 in 2004-06 allocated to the ten new Member States. Differences between countries and at a regional scale were growing. More attention was paid to developed regions with specific problems and a series of programs aimed at cities, rural areas and interregional and cross-border collaboration were instrumented. The main beneficiary countries were practically the same as in the previous Program.

- **Program 2007-2013.**

Financing was increased once again, up to €347 billion, equivalent to 35.7% of the EU's budget. During this period, the EU incorporated Bulgaria, Croatia, and Romania. The concentration of resources for the least developed regions/countries was increased (81.5% of the total). Allocation to R&D, training, technological development, cooperation, and cross-border programs was emphasised. In terms of quantitative beneficiaries, Poland jumped to the first position and the Czech Republic and Hungary joined the list.

- **Program 2014-2020**

Total financing of cohesion policies has been similar to the previous program, reaching €351 billion or 34.3% of the EU's budget. The importance assigned to the least developed regions (convergence regions) was maintained, along with prioritising allocations for research and innovation in SMEs, ICT development, smart networks, and environmental concerns (reduction of carbon emissions). Three countries, Romania, the Czech Republic, and Hungary, joined the list of top beneficiaries alongside Poland, Italy, and Spain, since most of their regions had GDP pc which were considerably below 75% of the EU's average.