MISCELÁNEA

Política y Sociedad
ISSN-e: 1988-3129

https://dx.doi.org/10.5209/poso.71938

EDICIONES COMPLUTENSE

Territorial cohesion and democracy in the EU

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Recibido: 05-10-2020 / Aceptado: 06-04-2021

Abstract. Inequality not only has an economic and social dimension, but also a territorial dimension with relevant political implications. The clear regional differences in economic development and employment and therefore in quality of life and opportunities in the European Union (EU) make the social situation increasingly unequal in territorial terms. There seems to be a growing consensus that large and dynamic urban areas are the future, while rural areas are perceived as having low potential. In many EU Member States, populism as a political force seems to grow in these so-called "places that don't matter", in numbers which may create systemic risks. The strengthening of the economic, social and territorial cohesion is one of the Union's main objectives. Already the Treaty of Rome (1957) established mechanisms to foster the economic and social cohesion, but it was not until the Treaty of Lisbon that a third dimension, the territorial cohesion, was introduced. Taking advantage of the tenth anniversary of the entry into force of the Lisbon Treaty, the aim of this text is to analyse the concept and instruments of EU's territorial cohesion policy in order to study the challenges of this policy.
Keywords: Territorial cohesion; European Union; inequality; Lisbon treaty; Cohesion Policy

[en] Cohesión territorial y democracia en la UE

Resumen. En este texto se parte de la premisa de que la desigualdad no solo tiene una dimensión económica y social, sino que también tiene una dimensión territorial con implicaciones políticas relevantes. Las claras diferencias regionales del poder económico y del empleo y por tanto de calidad de vida y oportunidades en la Unión Europea (UE) hacen que la situación social sea cada vez más desigual en términos territoriales. Parece haber un consenso creciente de que las aglomeraciones grandes y dinámicas son el futuro, las zonas rurales se perciben como de bajo potencial. En muchos países, el populismo como fuerza política parece arraigarse en estos llamados "lugares que no importan". No obstante, fortalecer la cohesión económica, social y territorial es uno de los objetivos principales de la UE. Ya el Tratado de Roma (1957) estableció mecanismos para potenciar la cohesión económica y social, pero no fue hasta el Tratado de Lisboa cuando se introduce una tercera dimensión: la cohesión territorial. Aprovechando el décimo aniversario de la entrada en vigor del Tratado de Lisboa se pretende revisar las bases y los instrumentos de política de la cohesión territorial de la UE para estudiar los retos de esta política.
Palabras clave: Territorial cohesión; Unión Europea; desigualdad; Tratado de Lisboa; Política de Cohesión

Como citar: Kölling, M. (2021). Territorial cohesion and democracy in the EU. *Polít. Soc. (Madr.)* 58(1), e71938. https://dx.doi.org/10.5209/poso.71938

1. Introduction

The European Union (EU) harbours a rich territorial diversity and settlement patterns[2] but there are historically important differences in the economic development among the different territories. The EU has also unevenly developed in the last decades and the financial and economic crisis (2008-2014) reinforced this trend. The crisis has shown that the convergence development of the pre-crisis years was weak and driven mainly by increasing private debt. The economic upturn since 2014 gave rise to optimism in large parts of the EU. After years of recession and stagnation in most EU Member States, stronger economic growth and falling unemploy-

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[2] There are about 5 000 towns and almost 1 000 cities spread across Europe, acting as focal points for economic, social and cultural activity. However the EU contains very few large cities. Only 7% of people live in cities of over 5 million as against 25% in the US (European Commission, 2008).

ment were recorded. Nevertheless, even during these years territorial disparities in unemployment, poverty and quality of life across Europe raised the gap between "leader" and "laggard" regions. Big and dynamic urban areas are increasingly perceived as places of opportunities while rural areas are seen as territories with no further potential. Structurally weak regions are often caught up in a vicious cycle of indebtedness, weak growth, unemployment and migration.

There is a broad consensus that high levels of social inequalities and social fragmentation lead to a clear deterioration of social cohesion (del Pino et al., 2016; Addeo et al., 2017) in the absence of sufficient corrective social policy measures (Moreno et al., 2014). There is a further broad consensus that economic inequalities are a defining challenge of our time. Inequalities in income and wealth are often blamed for the deepening anxieties of the middle class in many developed economies (Blerim, 2019; Lance et al., 2011). Both, social and economic inequalities, have territorial aspects. Territorial disparities are mainly the consequence of structural and institutional conditions established a long time in the past but also of existing and growing economic and social inequalities. Regional differences in terms of spatial distribution of economic power and employment make the social situation increasingly unequal in territorial terms as well. Due to territorial inequality large parts of the population may not benefit from prosperity and the education opportunities and lose trust in politics and democratic institutions. In many EU Member States, populism as a political force seems to grow in these so-called "places that don't matter" (Fink et al., 2019; Giebler et al., 2017; Rodríguez-Pose, 2018; Manow, 2018; Dijkstra et al., 2018; Guilluy, 2019; Van Hauwaert et al., 2019). This may wonder since after Second World War regional development policies have been common to all advanced capitalist societies (Ancien, 2005). The economic, social and territorial cohesion is also one of the main objectives of the EU. Already the Treaty of Rome (1957) established mechanisms to promote socioeconomic cohesion. Although the territorial dimension of the cohesion policy was formally absent prior to the Lisbon Treaty, EU regional policy had always a spatial dimension. With the Lisbon Treaty the territorial dimension has become an essential element of cohesion policy. However, after more the 10 years of the entrance into force of the Lisbon Treaty, the high levels of social and territorial inequality in the EU have been outlined in several reports, which warn of the dangers to territorial cohesion because of the high proportion of citizens who remain at risk of poverty or social exclusion especially when they are concentrated in certain regions (European Commission, 2018; FMI, 2019).

The EU cohesion policy has been analysed by focussing of different institutional features, for example the interrelation of cohesion policy, multilevel governance and democracy (Morata, 2004; Piattoni et al., 2016), the role of cohesion policy to economic and social development (Hooghe, 1996, Bachtler, et al., 2016), the impact of cohesion policy on EU identity (see project COHESIFY[3]) or more recently to role of cohesion policy to enforce EU fundamental values (Blauberger, et al., 2021). Nevertheless, one feature has been less analysed: the impact and the evolution of territorial cohesion within the framework of EU cohesion policy.

But what is the meaning of territorial cohesion? Territorial cohesion is a multidimensional, complex and ambiguous concept, especially in multi-level political systems (Benz, 2007: 434, Colino et al., 2020; Rodríguez-Pose, 2018). According to the EU regional policy glossary: Territorial cohesion should contribute to the reduction of disparities between regions in the EU. No European citizen should be disadvantaged in terms of access to public services, housing, or employment opportunities simply by living in one region rather than another. Territorial cohesion aims, in this sense, for more balanced and sustainable development (European Commission, 2020a). This paper will ask: how did cohesion policy change after Lisbon? More concrete we will ask if the inclusion of territorial cohesion made a difference in the cohesion policy in terms of objectives, instruments, budgetary capacity and results. The following chapter offers a brief overview of the methods employed for the analysis. After an analysis over changes over time in territorial cohesion in the EU (2007-2018), follows a study on the evolution of the territorial dimension of the EU cohesion policy, afterwards, the concept of territorial cohesion within the EU cohesion policy will be explored. And finally, the instruments of this policy are analysed.

2. Materials and methods: How to assess territorial cohesion?

With the introduction of territorial cohesion as an explicit objective in the Lisbon Treaty, cohesion policy seemed to place a stronger emphasis on the recognition of the importance of moving beyond GDP when assessing territorial development (European Commission, 2014). Thus in order to access changes over time in territorial cohesion, the analysis will focus on the NUTS[4]-2 level in the period 2007-2018 taking into account 1. the unemployment rate, which is important indicator of the living standard and socio-economic conditions of people, 2. data on regional and national GDP per capita, GDP per capita is a summary indicator of development and prosperity. Economies at similar income levels often share many structural attributes, including

[3] http://www.cohesify.eu.

[4] The NUTS classification (Nomenclature of territorial units for statistics) is a hierarchical system for dividing up the economic territory of the EU. The current NUTS 2016 classification is valid from 1 January 2018 and lists 104 regions at NUTS 1, 281 regions at NUTS 2 and 1348 regions at NUTS 3 level.

education levels, science and technology endowments, infrastructure and institutional quality (Iammarino et al., 2019), and 3. the analysis will include the AROPE (At Risk Of Poverty and/or Exclusion) indicator, which corresponds to the sum of persons who are either at risk of poverty, or severely materially deprived or living in a household with a very low work intensity. The data for the analysis of the NUTS-2 level are retrieved from the Eurostat database[5].

The analysis of the evolution of the concept of territorial cohesion relies on document analysis. The chapter on the evolution of the instruments for this policy will concentrate on the budgetary allocations for territorial cohesion. Analysing budgetary allocations in the EU budget, we will detect if there was a shift after 2009 in cohesion policy spending due to the inclusion of territorial cohesion.

According to main objective of the text, the exploratory hypothesis are:

(H1): The economic and financial crisis reduced the impact of EU cohesion policy on territorial cohesion.

(H2): Considering the long-standing territorial dimension of the EU cohesion policy, the inclusion of territorial cohesion in the Lisbon treaty did not change EU cohesion policy and its instruments.

(H3): Due to the ambiguity of the concept of territorial cohesion, the general change in budgetary objectives and the limitation of resources, the impact of the new approach of territorial dimension in EU cohesion policy was very limited.

In order to test the hypothesis, the research is based on a case study methodology. The article contributes to three lines of research. First, and foremost, to the literature on the evolution of EU cohesion policy. Secondly, to the works of policy change in the EU. Finally, the text contributes to the research dedicated to the study on living standards in the EU.

3. Territorial cohesion in the EU

3.1. Trends and figures of territorial cohesion in the EU 2007-2018

Although the theory predicted that slow convergence in an integrated economic area such as the EU will come about from the combination of diffusion processes (e.g. knowledge and de-agglomeration) and labour mobility, the barriers to territorial development in terms of skills and economic structures are still very visible in the EU (Martin et al., 2018). Already since the late 1970s globalisation and technological change led to a situation in which many rural regions and middle-to-small metropolitan areas that were once prosperous, have been characterised by a combination of job loss, declining labour-force participation or declining per-capita income relative to the national average (Iammarino et al., 2019). Since 2000, after the EC published the Second Cohesion Report, the territorial imbalances between Member States and NUTS-2 regions[6] increased and successive Cohesion Reports confirmed these growing disparities. Nevertheless between 2000 and 2008, GDP per capita in many less developed regions converged towards the EU average through faster productivity growth. The economic and financial crisis starting in 2008 have shown that the convergence development of the pre-crisis years was weak and driven by private debt (Lane, 2012; Regan, 2017). After 2014, disparities in unemployment rate, GDP per capita and the AROPE indicator started to narrow.

The table 1 shows the changes from 2007 to 2018 for EU Member States in terms of GDP per capita, unemployment rate and the AROPE indicator. In teen countries, the AROPE indicator increased from 2007 to 2018, while it only improved in countries which had a low level in 2007. However, the percentage of unemployment increased from 2007 to 2018 in 13 countries, while the GDP per capita declined only in five countries.

Regarding the structural differences among NUTS-2 regions, these are either relatively stable or even increasing in most EU Member States. While in many western and northern Member States it was more common to find poverty or social exclusion concentrated in urban areas, in eastern and southern Europe the risk of poverty or social exclusion was higher in rural areas than it was in urban areas. In 2009 the AROPE indicator was very high in the rural NUTS 2 regions of Severen tsentralen – Bulgaria (56%); Sud-Vest Oltenia – Romania (53,2%); Sicilia (48,2%); Campania (44%) and Calabria (42,9%). Trento (10,1%) and Navarra (10,4%) presented the lowest rates of risk of poverty or social exclusion. In 2018 NUTS-2 regions in the Mediterranean countries, as well as in Bulgaria and Romania continued to have the highest rates (European Commission 2020). The lowest rates were measured in Bratislava (7,9%) and Prag (8,5%). Among the 100 EU27 NUTS-2 regions[7] 58 registered an increase in the AROPE rate between 2009 and 2014, and 28 between 2009 and 2018. Although between 2009 and 2018 the risk of poverty or social exclusion could be reduced, at the Member State level a high variation can be stated. For example, in Spain in 2018 the indicator for the risk of poverty or

[5] Eurostat (2021) People at risk of poverty or social exclusion by NUTS 2 regions % of total population https://ec.europa.eu/eurostat/databrowser/view/tgs00107/default/table?lang=en

[6] The nomenclature of territorial units for statistics (*Nomenclature des Unités territoriales statistiques* – NUTS) is a geographical system, according to which the territory of the European Union is divided into hierarchical levels. NUTS –2 regions usually have between 800,000 and 3 million inhabitants.

[7] In 2009 and 2014 data on the AROPE indicator were only available for 107 NUTS2 regions.

social exclusion showed the highest level in Extremadura (44.6%), Andalucía (38.2%) and Canarias (36.4%). In turn, the Basque Country (12.1%), Navarra (12.6%) and Aragón (17.7%) presented the lowest rates of risk of poverty or social exclusion. This distribution of the AROPE rate shows a great territorial difference which reached up to 30%.

Table 1. Variation of GDP per capita, the unemployment rate and the AROPE from 2007 to 2018 in EU Member States

	Change in AROPE AROPE from 2007-2018 % of total population–2007	Change in Unemployment rate from 2007 to 2020118 – 2007 in %	GDP per capita change from 2007 to 2018 – 2007 in EUR
Austria	0,8	0,7	1.940
Belgium	-1,6	-1,0	1.840
Bulgaria	-28,0	-0,4	1.730
Croatia		-0,2	730
Cyprus	-1,3	4,8	-650
Czechia	-3,6	-2,1	2.430
Denmark	0,5	1,4	2.050
Estonia	2,3	-0,1	1.820
Finland	-0,9	1,0	-360
France	-1,7	1,6	1.430
Germany	-1,8	-4,0	3.940
Greece	3,2	11,5	-4.910
Hungary	-10,3	-4,1	2.190
Ireland	-2,0	-1,0	16.660
Italy	1,3	3,9	-1.990
Latvia	-6,6	-0,3	1.920
Lithuania	-0,4	0,4	3.560
Luxembourg	5,9	0,6	-950
Malta	-0,7	-2,3	6.120
Netherlands	1,0	0,2	2.420
Poland	-15,8	-3,2	3.910
Portugal	-3,5	-1,7	920
Romania	-14,5	-1,4	2.690
Slovakia	-5,1	-3,0	3.600
Slovenia	-0,9	0,7	1.600
Spain	2,8	4,0	500
Sweden	4,0	0,2	3.470

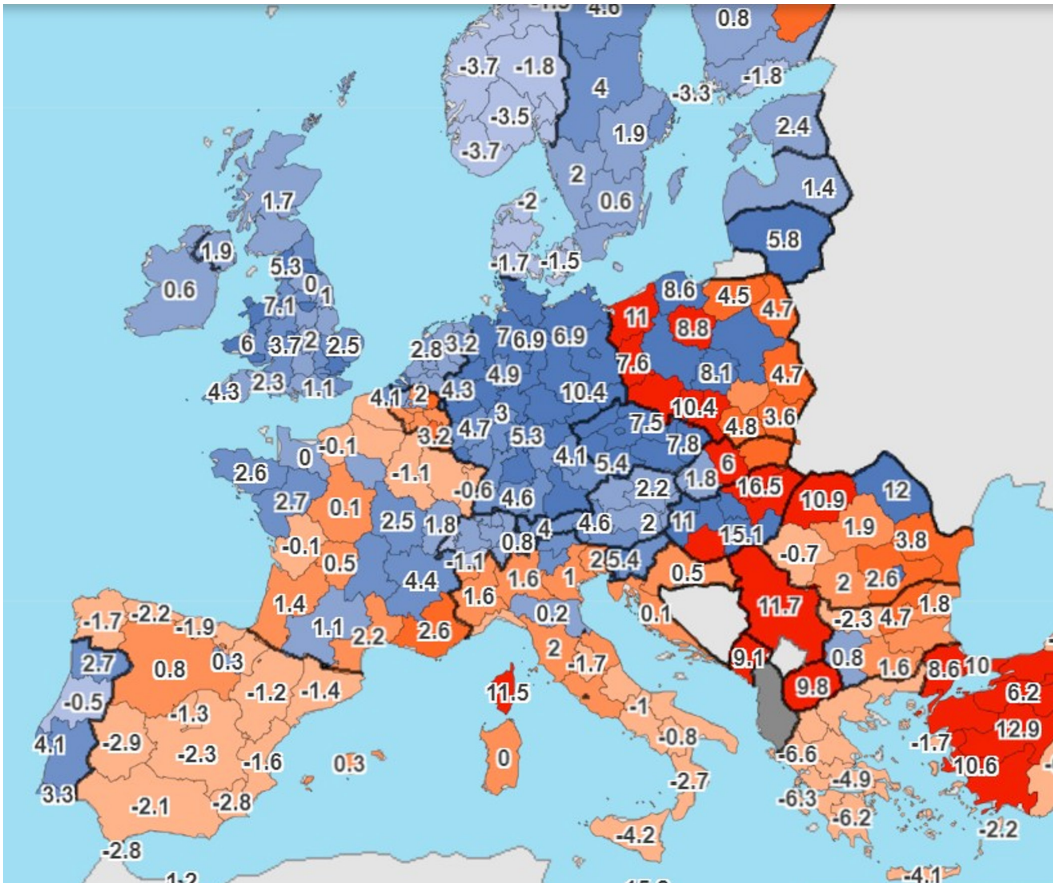
Source: Eurostat, own calculations.

Reading the data of GDP per capita by NUTS 2 regions during 2007, 2014 and 2018, prior to the crisis, disparities in GDP per capita in the EU were shrinking, mainly due to regions with the lowest levels of GDP per capita growing faster than average (European Commission 2017). In the crisis years, between 2008 and 2014 regional disparities widened. In this period 71 out of 283 NUTS-2 regions registered a decrease of the regional GDP per capita. After 2014 there are signs that the long-run process of regional convergence has resumed and only 25 NUTS 2 regions had a lower GDP per capita in 2018 than in 2007. Nevertheless in 2018 62% of NUTS-2 regions still had a GDP per capita equal to or lower than the EU average compared to 59% in 2007. This difference confirms that the recovery after the Great Recession has not succeeded in reducing the inequalities in GDP per capita between different territories.

Regarding the unemployment in NUTS 2 regions, in the years following the crisis, many regions experienced a continuous increase in unemployment (between 2007 and 2014 70% of the NUTS-2 regions). In most NUTS-2 regions between 2007 to 2018 employment increased (map 1) but comprising relatively less-skilled jobs. Centres of small and medium-sized manufacturing cities continue to suffer from a decline in employment, while their surrounding suburban or rural areas are characterised by a stagnation in the labour market (Iammarino et al., 2019). The data of the EU Employment Observatory related to changes in the distribution of employment by professions and sectors in EU regions, confirm that large metropolitan centres did recover

much better than other NUTS-2 regions in Member States. Moreover, the European Jobs Monitor of 2019 shows how regions within the same country are increasingly disparate while Member States are becoming more similar in their employment structures. It also shows that cities have a disproportionately high share of employment in well-paid and highly skilled services, along with the growth of low-paid employment (European Jobs Monitor 2019).

Map 1. Employment rate8 between 2008 and 2018 in %; by NUTS 2 regions



Source: European Commission, 2020.

These findings can also be confirmed by different country studies which focused on similar indicators. Regional inequalities in the United Kingdom are especially large. NUTS-2 regions outside London and the South of England have similar productivity levels as poor regions in Central and Eastern Europe (McCann, 2016, 2019). Central London's economic performance has contributed to higher national averages on many indicators, but there is little evidence that other regions benefit from London's growth (McCann, 2016, 2019).

For Spain, two recent studies confirm that inequalities have a clear territorial dimension among the Autonomous Communities (Colino et al., 2020, Faura-Martínez, 2020). There is no doubt that Spain's growth since 2014 has enabled the country to recover its pre-crisis GDP per capita, but the consequences of the recession are still reflected in the differences in the AROPE indicator and unemployment between the Autonomous Communities.

According to a recent report on Germany the regional differences between the South and the North, but above all between the West and the East of Germany are growing (Fink et al., 2019). Germany is becoming increasingly unequal in terms of the territorial distribution of economic power, employment opportunities and social status. More than 69 million Germans, i.e. more than 83% of the population, live in large and dynamic medium-sized cities with a strong economy in the surrounding area, but more than 13.5 million people, or almost 16.4%, live in regions with severe structural problems (Fink et al., 2019).

3.2. Territorial cohesion: the concept

In general terms, the objective of the EU's cohesion policy has been to reduce disparities in the level of income and wealth between Member States and its regions. The Treaty of Rome (1957) stated in its preamble

[8] % of people aged 20-64 years in employment as a share of all people aged 20-64.

that Member States will ensure the harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions. In consequence the Treaty established mechanisms to foster socioeconomic cohesion. The European Social Fund, which was created through the Treaty of Rome, reimbursed Member States 50% of the costs of vocational training and resettlement allowances for workers. Since 1975 the disbursement of funds was based on indicators of industrial structure, and socioeconomic characteristics that were presumed to endanger regional development in the absence of policy interventions (Saphir et al., 2003). But it was only in the early 1980s that the debate on territorial dimension became a topic at the European scale. It began as a reaction to globalisation and trade liberalisation as part of the Single Market programme, which benefited some regions but had adverse effects on others (Medeiros, 2016). In particular, there was growing awareness that Europe was divided into a centre-periphery division. Starting in the first multiannual programming period 1989-93 measures were targeted at priority objectives and concentrated geographically on priority areas. In addition, regional disparities increased by successive enlargement rounds. With the Single European Act of 1986, economic and social cohesion became a competence of the European Community. Although the Maastricht Treaty didn't refer to the territorial dimension of the cohesion policy, it underlined the EU objective to reduce regional disparities. By the mid-1990 it became evident that EU policies had unintended territorial impacts and the demand for planning coordination at the European level were growing. This demand found entrance into the Amsterdam Treaty (1997) which introduced the concept in the context of services of general economic interest. Though the Amsterdam Treaty did not define territorial cohesion it laid the foundation for spatial planning at the European level (Mirwaldt et al., 2009). By the mid-2000s, within the debate on the constitutional treaty, the concept of territorial cohesion was promoted by the French government (Medeiros, 2016). But also the Netherlands, and Germany were among the most influential actors in shaping the European Spatial Development Perspective (ESDP), the initiative that put the notion of territorial cohesion on the political agenda (Faludi, 2004). In 2004, territorial cohesion was inserted into the Constitutional Treaty as objective, along with economic and social cohesion. However the rationale of territorial cohesion was very broad, the third Cohesion Report (European Commission, 2004) stated that "people should not be disadvantaged by wherever they happen to live or work in the Union" (Faludi, 2007). After the negative referendum in France and the Netherlands, the importance of territorial cohesion was highlighted in the Community Strategic Guidelines on Cohesion adopted by the Council in 2006, which stated that "promoting territorial cohesion should be part of the effort to ensure that all of Europe's territory has the opportunity to contribute to the growth and jobs agenda".[9]

Moreover, 'Economic, social and territorial cohesion' was the title of a new chapter in the fourth Cohesion Report published in 2007. The Lisbon Treaty maintained the third dimension of the cohesion policy unchanged and territorial cohesion, which had so far merely been an area for coordination, became a shared competence (Article 4, TFEU).

Despite the long-standing debate of the territorial cohesion as a main goal of EU policy, there was no clear and official definition of this concept. The concept of "territorial" cohesion was included in the TEU and the TFEU without any substantial change in the wording of the corresponding articles. Article 3 of the TEU states that one of the main objectives of the Union is the promotion of economic, social and territorial cohesion, and solidarity among Member States.[10] A new reference to "territorial" cohesion was included into article 174 TFEU. Articles 175-178 TFEU are also essentially the same as articles 159-162 TEC, except the references to "territorial" cohesion. The Green Paper on Territorial Cohesion launched in 2008 defined territorial cohesion as "the harmonious development of places and about making sure that their citizens are able to make the most of inherent features of these territories" (European Commission, 2008). Nevertheless, the definition remained very vague and the Barca report demanded a stronger conceptual foundation (Barca, et al. 2009). In the following year's policy coordination initiatives in large territorial areas such as the Baltic Sea region, initiatives for sustainable cities, or against social exclusion in larger regions and urban neighbourhoods, were associated with the pursuit of territorial cohesion. The fifth Cohesion Report underlined in 2010 that territorial cohesion may reinforce (1) the access to services, e.g. digital infrastructure; (2) sustainable development, e.g. energy efficiency, and (3) functional geographies, such as metropolitan or a cross-border areas (European Commission, 2010). This rationale fostered the notion of the place-based approach of territorial cohesion, which has been defined by Barca (2009) as a long-term development strategy dealing with inefficiency and inequality in certain places through the production of place-tailored public goods and services (Nosek, 2017).

The economic and financial crisis led to a new debate on the focus of EU cohesion policy. Already cohesion policy 2007-2013 was designed towards the goal of achieving economic and social cohesion but also for the delivering of public goods that are common to all regions. Rather than an instrument to reduce regional disparities, EU cohesion policy started to be portrayed as a delivery vehicle to achieve the Lisbon goals of competitiveness, growth and jobs all over the EU territory (Cambon and Rubio, 2011). Moreover, the Terri-

[9] Official Journal L 291, 21.10.2006, p. 29.

[10] Article 174 of The Treaty on the Functioning of the European Union ('TFEU'): "The Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions".

torial Agenda of the EU 2020 "Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions", in 2011, followed a growth rather than a development narrative with the objective to foster a high-employment economy delivering social and territorial cohesion (European Commission, 2011). The 2013 reform of the cohesion policy confirmed the policy's alignment with the EU's long-term growth strategy (Europe 2020) and associated cohesion policy with the economic governance architecture and policy cycle (the European semester), which played an important role in both the programming and implementation of the ESI Funds in 2014-2020 (Bachtler, 2019). According to this during the programming period 2014–2020, each Member State followed approaches towards achieving territorial cohesion (Nosek, 2017) within wider economic policy objectives of the EU. This place-based approach represented a new policy perspective with a focus on local underutilized potential, but without seeking to reduce regional imbalances (Nosek, 2017). The seventh Cohesion Report (2017) included a specific chapter on territorial cohesion, in which the EC designed a new environmental dimension for territorial development. Flexible functional regions, macro regions, metropolitan or cross-border areas should address EU wide challenges, e.g. the shift to a low-carbon economy and reducing the negative impact of climate change. In 2020 at the end of the programming period 2014–2020 and faced with the COVID-19 crisis the EU amended the regulatory framework for cohesion policy to provide resources to the Coronavirus Response Investment Initiative to emerging needs in the most exposed sectors, such as healthcare, SMEs and labour markets.

The analysis of the MFF 2021-2027 reveals not only a further reduction in available resources, with regard to MFF 2014-2020, but the EC also included new priorities for the cohesion policy 2021-2027. The ERDF and the Cohesion Fund will continue to focus on tackling regional but also contribute tackle the EU wide economic, environmental, climate, digital transformation, demographic and social challenges (European Commission, 2018). Cohesion policy is also close related to Next Generation EU and additional resources (€47.5 billion) were committed to cohesion through the REACT-EU. But there is also a greater role for Cohesion Policy expected in responding to the COVID 19 crisis and the future recovery phase through the use of the REACT-EU funding and the participation in the Recovery Plan. No specific instrument for territorial cohesion is included in the MFF 2021-2027.

3.3. Territorial cohesion: instruments

The definition of territorial cohesion has consequences for the design of cohesion policy instruments. The Treaty of Rome (1957) established solidarity mechanisms in the form of two funds: the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF, Guidance Section). In 1975 the European Regional Development Fund (ERDF) was created to help to redress the main regional imbalances in the Union through participation in the development and structural adjustment of regions. Since 1993 the Cohesion Fund provides a financial contribution to projects for Member States in the fields of environment and trans-European networks in the area of transport infrastructure. Over the successive programming periods, significant budgetary resources have been mobilised through these funds. After the concept of territorial cohesion was included into the Lisbon treaty the MFF 2014-2020 contained two new instruments created in order to contribute to the territorial cohesion objective: the Community-Led Local Development[11] and the Integrated Territorial Investments[12]. The The Community-Led Local Development instrument was based on the experiences of the rural developing initiative and designed specifically with a focus on achieving the Europe 2020 Strategy and fostering territorial cohesion in rural areas. The instrument was financed within the framework of the European Agricultural Rural Development Fund. The Integrated Territorial Investment instrument was designed as a mechanism to bundle funding from several priority axes of Member States Operational Programmes to respond diverse territorial needs. Also, this instrument had no specific budgetary assignation and was built on existing initiatives.

Moreover, the EU cohesion policy programme 2014-2020 was adapted in times of financial constraints (Kölling, 2014). The MFF 2014-2020 was the first framework with a reduction of the EU budget compared to the previous framework. These cuts concerned mainly sub-heading 1b "Economic, social and territorial cohesion". According to Bachtler and Mendez (2015), the aid intensity, measured by € per capita declined mostly in less-developed NUTS-2 regions, but slightly increased in more developed NUTS-2 regions. For the 2014–2020 period, a higher share of cohesion policy funding (around €78 billion) was allocated not to territorial criteria but thematic objectives: low-carbon economy, adaption to climate change and risk prevention and improving environmental protection and resource efficiency. Moreover, the MFF 2014-2020 established a clear link between the budgetary headings and the Europe 2020 Strategy.

Regarding the MFF 2021-2027 budget support for cohesion policy continued to be redirected to address new emerging economic and social challenges, as well as policy objectives (European Commission, 2017). Although the Commission's proposals for the MFF 2021-2027 continued to allocate a sizeable share of the

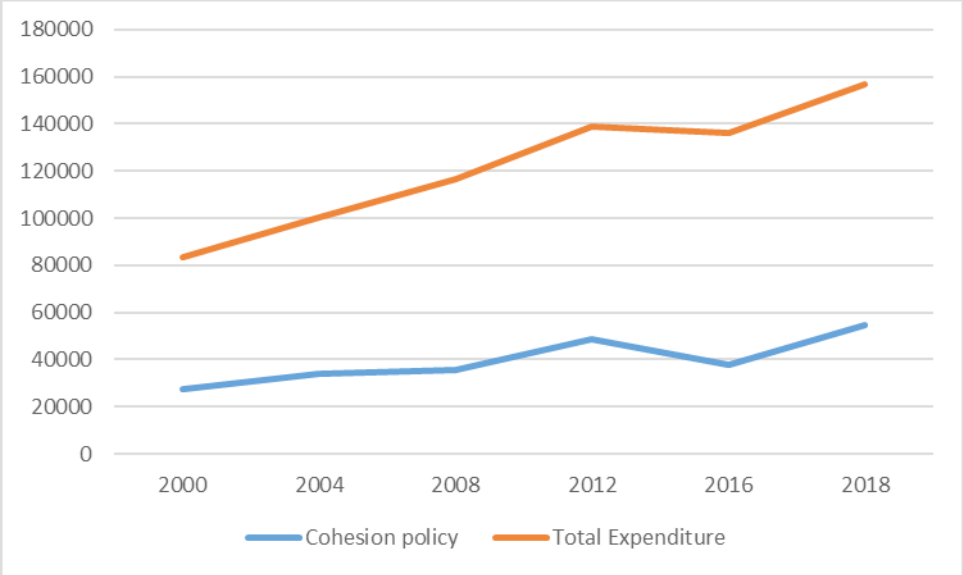
[11] Article 28-31 CPR.

[12] Article 7 ERDF regulation, Article 99 CPR.

EU budget to cohesion policy, the proportion of the EU budget accounted for this policy was the lowest since the early 1990s. The EC proposal included a cut of 5% for cohesion policy with reference to the MFF 2014-2020. Under the agreement on the MFF 2021-2027 finally €330.235 billion was allocated to sub-heading 2a 'Economic, social and territorial cohesion'. This is even marginally below the Commission's 2018 proposals for €330.642 billion.

Graph 1 shows the relation of the total of EU budget expenditure and expenditure on EU cohesion policy from 2000 to 2018. While in 2000 cohesion spending was 34% of total EU budget expenditure, in 2016 cohesion spending represented 27% of total EU budget expenditure.

Graph 1. Total Expenditure and cohesion policy spending (EUR in Million)



Source: own elaboration.

4. Conclusion

The objective of this paper was to assess how cohesion policy changed after 2009? We asked if the inclusion of territorial cohesion made a difference in the EU cohesion policy in terms of objectives, instruments, budgetary capacity and results.

The economic, social and territorial cohesion is one of the main objectives of the EU. During the past, territorial cohesion has become an EU wide approach, this is important in order to address inequalities not only in the access of public goods. However results are so far very poor. The existing territorial inequalities are results on the one hand from structural differences, i.e. differences in the sectoral structure of the economy, in production structures and the technological capacities associated with them, but on the other hand results and consequences of the EU integration process. Moreover, and affirming H1, there is clear evidence that the economic and financial crisis was a setback for territorial cohesion within the EU.

With regard to H2, the long-standing territorial dimension of the EU cohesion policy has been confirmed. The inclusion of territorial cohesion in the Lisbon treaty did not change EU cohesion policy and its instruments. The instruments of the EU cohesion policy haven't been adapted to the new objective of territorial cohesion. The financial instruments created in the MFF 2014-2020 to support specific measures for territorial cohesion, represented only subchapters of existing instruments with limited resources and uncertain objectives.

Although territorial cohesion gained attention in European policy, other policy objectives too. The increasing orientation of cohesion policy on EU wide problems and the reduction of resources have limited the impact of this policy. Furthermore, the traditional objectives of EU spending policies laid down in the EU treaties lost importance while policy strategies determine increasingly the EU spending priorities and budget implementation. In this sense we can confirm (H3). Due to the ambiguity of the concept of territorial cohesion and the general change in budgetary objectives, the impact of the new approach of territorial dimension in EU cohesion policy was very limited.

According to a recent online public consultation which took place between 10 January and 9 March 2018, terms of the most important challenges, the largest proportion (94% of respondents) identified 'reducing re-

gional disparities' as very important or rather important.[13] There is no doubt that the Member States, in accordance with their tradition, make a decisive contribution to territorial cohesion within their competence, but especially the economic crisis has demonstrated the importance of action at European level. However in order to fulfil expectations and to close the gap between ambitions and capacity the EU need to define clearly the objectives and address the challenges with adequate financial instruments.

For the MFF 2021-2027, the Commission underlined that cohesion policy is the EU's main investment policy and one of its most concrete expressions of solidarity but cohesion policy will be the unique instrument to tackle the economic, environmental, climate, demographic and social challenges affecting rural and urban areas, including functional urban areas, while taking into account the need to promote urban-rural linkages (European Commission, 2020b). Cohesion policy 2021-2027 will have less resources than in MFF 2014-2020. Moreover, cohesion policy 2021-2027 will play an important part of the EU economic recovery plan and resources will be spent between 2021 and 2026 on restoring labour markets, health care systems and small and medium sized companies. There has always been confusion about whether cohesion policy is supposed to pursue primarily the objective of economic growth or harmonious socio-economic development, this confusion continues with the introduction of environmental objectives for cohesion policy. The proposed new conditionality between the respect of rule of law and cohesion policy is reactive but cohesion policy should deliver the condition for the harmonious development of territories. The stronger emphasis on thematic objectives overstretches the relation to territorial cohesion (Piattoni et al., 2016).

Territorial cohesion affects political stability; so do a plethora of other exogenous and endogenous effects whose impact on political systems and their capacity to generate trust cannot always be readily disentangled. However the link between EU territorial cohesion policy after 2009 and democracy is very weak. The new conditionality mechanism will be tying budget support to political conditions. However conditionality as a policy tool should not only contain negative incentives (e.g. optional or mandatory suspension of funding) but also long-standing positive incentives.

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[13] An online public consultation took place between 10 January and 9 March 2018 conducted by the European Commission. The consultation covered cohesion policy, i.e. ERDF and the Cohesion Fund combined with ESF.

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