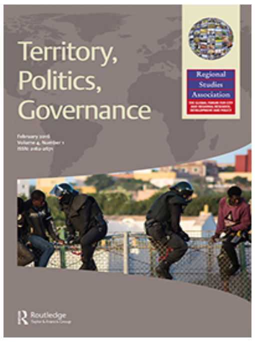

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European Union Cohesion Policy Post 2014: More (Place-Based and Conditional) Growth – Less Redistribution and Cohesion

VASILIS AVDIKOS and ANASTASSIOS CHARDAS

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Abstract The paper argues that the European Union Cohesion Policy 2014–2020 is re-oriented, away from the traditional goal of promoting balanced socio-economic development, towards a regional growth-policy perspective that puts the issue of competitiveness as a prerequisite for regional convergence. Through the analysis of two sets of reforms of the new Cohesion Policy, namely the place-based approach and the conditionalities, thematic priorities and the performance reserve, we show that the new Cohesion Policy provides a novel policy context that is likely to exacerbate the already existing disparities in economic performance amongst the European Union territories and augment existing uneven spatial relations.

Extracto En este artículo se debate que la política de cohesión de la Unión Europea de 2014 a 2020 se está reorientando, puesto que se aleja del objetivo tradicional de fomentar el desarrollo socioeconómico equilibrado y se orienta hacia una perspectiva de política de crecimiento regional considerando la cuestión de competitividad un requisito previo para la convergencia regional. A través del análisis de dos grupos de reformas de la nueva política de cohesión, es decir, el enfoque basado en la ubicación y las condicionalidades, las prioridades temáticas y la reserva de eficacia, mostramos que la nueva política de cohesión ofrece un nuevo contexto político que podría exacerbar las desigualdades ya existentes en el desempeño económico entre los territorios de la UE y aumentar el desequilibrio actual en las relaciones espaciales.

摘要　本文主张，2014—2020　年的欧盟凝聚政策进行了再定位，扬弃了促进平衡社会—经济发展的传统目标，转而迈向将竞争力的议题视为区域凝聚前提的区域成长政策视角。透过分析新凝聚政策的两大系列改革，意即根据地方的方法，以及受限制性、主题优先顺序和表现储备，我们显示，新的凝聚政策提供了新的政策脉络，该脉络将有可能恶化欧盟领土中既存的经济表现差异，并扩大既有的不均空间关係。

Résumé L’article affirme que la politique de cohésion de l’Union européenne de 2014 à 2020 sera réorientée de l’objectif traditionnel, à savoir la promotion du développement socio-économique équilibré, vers un point de vue qui porte sur la politique en faveur de la croissance régionale et qui met l’accent sur la question de la compétitivité en tant que condition préalable de la convergence régionale. L’analyse de deux séries de réformes de la nouvelle politique de cohésion, c’est-à-dire une approche axée sur le lieu et les conditions, les priorités thématiques et la réserve de performance, permet de démontrer que la politique de cohésion fournit un cadre d’action original susceptible d’aggraver les disparités qui existent au

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niveau de la performance économique des territoires de l'Ue et de creuser les relations spatiales déséquilibrées actuelles.

Keywords place based Cohesion Policy European Union competitiveness uneven spatial development

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INTRODUCTION

This article provides an attempt to identify to what extent the changes in the regulatory and institutional framework that will guide the operation of the European Union Cohesion Policy (EUCP) after 2014 are consistent with the constitutional commitment of the European Union (EU) to provide policy tools that support economic and social cohesion amongst its member states. The article postulates that the goal of 'cohesion through convergence' has gradually lost its momentum during the previous programming periods and similar trends can be identified regarding the EUCP post 2014. The commitment to promote economic and social cohesion was one of the novelties of the Single European Act (SEA) that was signed in 1986. Every constitutional change that has followed the signing of the SEA has kept the commitment to the promotion of economic and social cohesion more or less intact, whilst the EUCP became the primary (indeed the sole) policy mechanism through which this pledge was to be pursued. However, after the early 2000s the policy aims of the EUCP became aligned with the policy objectives of the 'Lisbon Strategy', a process that is reinforced in the current programming period, this time in relation with the 'Europe 2020' strategy. The Europe 2020 strategy identifies the roots of the economic difficulties of certain EU countries and regions with their lack of competitiveness. To be sure, the policy objectives of the EUCP have been far from clear ever since its inception. There has always been 'confusion' (Begg, 2010) concerning the extent to which the EUCP was to pursue the objective of economic growth or whether its primary objective was the promotion of harmonious socioeconomic development. Nonetheless, since the mid-2000s there has been a stark change in the weighting of the arguments in favour of the promotion of competitiveness through the fiscal and other policy mechanisms offered by the EUCP. The objectives and discourses of 'growth through competitiveness', innovation and flexibility have superseded the pursuit of cohesion and convergence through redistribution amongst EU territories. These changes have been almost cemented when it comes to the current programming period 2014–20. The commitment to pursue socioeconomic and territorial cohesion has been all but forfeited and the EUCP has been placed in service of the wider economic policy objectives of the EU.

In order to substantiate the line of thinking provided in the article, we focus on two sets of reforms that will guide the operation of the EUCP. First, the article examines the turn towards 'place-based' policy-making and how this treats endogenous and institutional factors of territorial growth. Second, the article examines the role that will be played by the thematic priorities, the macroeconomic and *ex ante* conditionalities and the performance reserve in the operation of the Structural Funds post 2014. These new institutional arrangements along with the new discourse of 'growth through competitiveness' construct an environment for the implementation of the EUCP that may favour certain regions but also produce new spatial hierarchies and divisions between them. The combination of the two sets of reforms is likely to provide a policy context that will not be conducive towards the achievement of the aim of convergence amongst EU regions, territorial balance and social and economic cohesion.

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The research approach deployed in the paper is based on a detailed examination of the major EU documents that have been published as part of the gestation of the policy perspectives and regulations that will govern the EUCP between 2014 and 2020, such as proposals that the European Commission (hereafter 'the Commission') has produced when it initiated the legislative procedure and the final decisions taken by the European Council. We also examine older reports concerning the Lisbon Strategy and the newer ones regarding the Europe 2020 strategy. Furthermore, we examine the documents that have been produced as part of the discussions concerning the place-based approach in the new EUCP (Barca, 2009; Farole *et al.*, 2011; Barca *et al.*, 2012).

The main original contribution of the article is that it positions the EUCP post 2014 in the broader economic governance framework operating in the EU. The outbreak of the economic crisis in 2010 has revealed the role that could have been played by the EUCP as a significant anti-recession instrument (Dunford and Perrons, 2012, p. 896). As an already operating policy of multi-layered fiscal transfers, the EUCP could have provided a blueprint for the deployment of some sort of mechanism for fiscal coordination amongst EU and Eurozone countries. An initial assessment of the policy trends that relate with the EUCP follows in the article, which reveals that these prospects have more or less evaporated. If that is a broader analytical contribution of the article it also contributes more specifically to the discussions concerning place-based policy-making in regional development as well as the regulatory changes introduced or reinforced with the EUCP in the current programming period. Although some scholarly attention has been paid to the regulations that will govern the current round of EUCP funding, the significant repercussions entailed by the turn towards place-based regional policy have not been examined. Also, little scholarly attention has been paid to the policy context in which the EUCP post 2014 will operate, which as we argue has been fundamentally modified since the inception of the policy in the late 1980s.

The remainder of the article develops as follows: the next section places the EUCP in the broader economic policy architecture of the EU and identifies three periods of EU policy development in connection with regional policy. The third section discusses the main constituent elements of the place-based approach in the context of post-2014 EUCP. The fourth section focuses on the regulatory and policy tools of thematic priorities, performance reserve and the extension of macroeconomic and *ex ante* conditionalities. The penultimate section summarizes the key findings of the previous sections and attempts a synthesis of the main arguments presented. The last section concludes.

EU COHESION POLICY AS PART OF THE ECONOMIC POLICY ARCHITECTURE OF THE EU

1956–85, the EUCP as the great absentee

The policy objective of territorial convergence had not been part of the initial policies pursued by the European Community (EC), until 1985. The initial plan of the EC involved little else than the cooperation of the founding member states in specific sectors of economic activity. True, the Spaak report[1] (1956) that preceded the signing of the Treaty of Rome establishing the EC in 1957 made a recommendation for the establishment of a regional fund. Similarly, the Treaty of Rome talked about the importance of 'harmonious development of the Community territory', which espoused similar objectives as the ones later incorporated in the early stages of EUCP. Moreover, the inclusion of Italy – a country with long-standing socioeconomic disparities between its Northern and the Southern (Mezzogiorno) parts – in the founding members of the

EC would have justified a more active interest on behalf of the EC on issues of regional imbalances in its territory. However, this had not been the case and attention to a regional policy in the Treaty of Rome was minimal (Manzella and Mendez, 2009, p. 5).

The first time that the Commission decided to examine the EC's 'regional problem' was in 1964 (Manzella and Mendez, 2009), through a report of an 'expert group' that discussed the differences of economic development amongst the areas that comprised the EC. The report concluded that there was a clear need for the community to address the regional differences of its territory. Nevertheless, the idea that the EC could adopt redistributive policies that would infiltrate the operation of the common market was simply unthinkable at the time (Judt, 2005).

The need for regional intervention on behalf of the community started to become fully realized with the accession of the UK, Ireland and Denmark in 1972. In 1973, the 'Thompson Report'[2] on the enlargement of the EC concluded that although the objective of the enlargement of the EC had been achieved, the balanced and harmonious development of its territory had not. As a result of these considerations, the European Regional Development Fund (ERDF) was introduced in 1975. The ERDF has had no coordinating role and would only distribute support to individual projects of regional economic development in the poorer member states. Thus, until the mid-1980s there have been few indications that the EC intended to develop a coherent policy that would respond to the territorial asymmetries amongst its constituent territorial entities.

1985–Early 2000s, explosion of interest in convergence and cohesion

The signing of the SEA in 1986 followed the two waves of enlargement in 1981 and 1986 and signalled the first time that the EC indicated an active interest in the promotion of balanced socioeconomic development across the member states and regions. The signing of the SEA incorporated the constitutional commitment to promote 'economic and social cohesion' (Articles 130A-130E) and provide the necessary policy tools in order to pursue the aim of the reduction in the development trajectories amongst member states. This commitment has remained a constant element of all the constitutional reforms that have followed the signing of the SEA (Maastricht, 1992; Amsterdam 1997; Nice, 2001; Lisbon, 2009).

Although the exact meaning and content of the term cohesion has remained – partly – ambiguous, at least part of the rationale that has guided the operation of the Structural Funds has been based on the aim to allocate more resources to the poorer regions of the member states (Begg, 2010, p. 80) so as to compensate the latter for the prospective loss of competitiveness that would accrue as a result of the adoption of the convergence criteria (Molle, 2008). This objective was exemplified by the creation of the Cohesion Fund with the Maastricht Treaty in 1992. The Cohesion Fund, that funded member states instead of regions, was only complementary to the remaining Structural Funds and the EUCP's share of the EU budget has increased steadily throughout the 1990s to reach 35% of the total by the end of the decade (Judt, 2005).

To be sure, alternative explanations, more favourable towards real-politick approaches of international politics, have been offered in order to account for the development of the regional policy at the time:

> In order to make the Maastricht conditions more palatable, cash bonuses were made available to recalcitrant governments: Jacques Delors, the Commission President, all but bribed the finance ministers of Greece, Spain, Portugal and Ireland, promising

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large increases in EU structural funds in return for their signatures on the Treaty. (JUDT, 2005, p. 715)

What this reference implies is that it would have been wrong to assume that the EC suddenly decided to overcome its reluctance to undertake responsibilities in the sphere of redistribution in the mid-1980s. The removal of the remaining barriers to free trade amongst EC/EU countries has remained the cornerstone of the EU's activities. The completion of the Single Market by 1992 became the overarching policy framework through which the tariff and non-tariff barriers restricting intra EC trade were to be removed.

Nevertheless, in parallel to the project of the Single Market, the Delor's Commission (1985–94) deployed the initially nascent EUCP in order to increase its institutional standing amongst the EU institutions (ROSS, 1995). Furthermore, there has been little doubt that in typical neo-functionalist logic, the Commission deployed the EUCP in tandem with the more competitiveness- and free market-oriented policies of the EU. Therefore, the distinction between the pursuit of competitiveness and convergence has not been as firm as one would assume. Rather, the objective of the Delor's Commission was to promote the argument that a more equal EU area could also be a more competitive one; in other words, that a 'European' model of political economy promoting economic efficiency, as well as equity and redistribution would be more competitive in the world stage. This was the reasoning that was adopted in order to convince the net-contributing countries – mainly unsympathetic to any increase in the EU budget – that the EUCP was a policy area where the EU would benefit from investment.

Finally, the geographical expansion of the EC/EU throughout the 1980s and 1990s provided a further impetus towards the adoption of the EUCP (JUDT, 2005, pp. 530–531). The acute regional imbalances that accrued as a result of geographical expansion[3] were seen as harmful for the competitiveness and economic prospects of the EU. Thus, it was assumed that the competitiveness of the EU as a whole would benefit from coordinated investment through the Structural Funds.

Early 2000s–2014, beginnings of Lisbonization

Since the early 2000s, there has been a stark change in the economic policy objectives of the EU as a whole (BEGG, 2010). These have contributed directly to the weakening of the promotion of the cohesion objective as part of the EUCP (DUNFORD and PERRONS, 2012). The meagre attempts to develop common EU fiscal policies developed along the policy logic of overall economic efficiency, through the promotion of competitiveness, innovation and flexibility in labour markets. In particular, the 'Lisbon Strategy', decided in the Lisbon Council in 2000, aimed:

> to transform the EU into the most competitive and dynamic knowledge-based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion. (EUROPEAN COUNCIL, 2000)

Despite the inclusion of the objective of social cohesion, the Lisbon Strategy made extensive conceptual usage of Schumpeterian notions of innovation, learning economies and primarily aimed to reorient the European economy into cutting edge technologies. As a result, the objective of redistribution and institutionalized solidarity amongst EU countries has become almost meaningless (BEGG, 2010; DUNFORD and PERRONS, 2012). Given these broader alterations in the orientation of the EU after the early

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2000s, the position of the EUCP in the economic policy architecture of the EU has been altered significantly.

In particular, a period of alignment between the objectives of the EUCP and those of the Lisbon Strategy started with the third (2000–06) and intensified with the fourth programming period (2007–13) (Polverari, 2013). In this new policy context, the objectives of the EUCP had to be in line with the aims of the Lisbon Strategy and any policy objective pursued by the former should indicate the means through which it would contribute to the objectives of the latter. Essentially, the EUCP has gradually become the financial instrument through which the objectives of the Lisbon Strategy are to be pursued.

To be sure, this reorientation of priorities in the economic policies of the EU and their interconnections with the EUCP was also the result of policy decisions which were internal to the policy dynamics of the EUCP. On the one hand, the unwillingness of the major net-contributor member states to accept any increases in the EU budget had become apparent since the early 2000s. The publication of the Sapir report[4] in 2004 which attacked the EUCP – as well as the Common Agricultural Policy (CAP) – as basically ineffective, costly and unnecessarily bureaucratic provided further ammunition to the net-contributors to pursue an agenda of reduction of the EUCP funding. The Sapir report suggested a radical overhaul of EU spending from EUCP and CAP to activities favouring research and technology. The congruence of the Sapir report's objectives with the Lisbon agenda was not lost to the net-contributors and the former provided a link between the Lisbon objectives and the EU budget (Laffan and Lindner, 2010, p. 220). As a result, the net-contributors asked for a ceiling to be imposed on EU expenditure for the first time and pushed towards the decrease of EUCP spending as much as possible. In the end, this was not feasible since the beneficiary countries in collaboration with the Commission (which was the institutional actor that had mandated the Sapir report however) kept much of the EUCP spending intact (Laffan and Lindner, 2010, p. 221). However, the continuation of activities favouring redistribution and cohesion were no longer feasible; hence the beginnings of the Lisbonization (and Sapirization?) of the EUCP in the first decade of the 2000s. On the other hand, the high error rates that were identified in the implementation of the Structural Funds in the first two programming periods – 1989–99 – have convinced the Commission to monitor the effective deployment of the Structural Funds through the imposition of spending conditionalities (Bachtler and Ferry, 2013).

Notwithstanding the political motivations behind this turn, the shift in priorities which was practically pursued through the alignment of the Lisbon Strategy with the EUCP entailed an economic philosophy aiming at pursuing economic growth for all EU regions, rather than just the disadvantaged ones although each region would be eligible for different levels of funding in accordance with gross domestic product measurements. Also, the funding of programmes for the upgrading of basic infrastructure has gradually lost its momentum and actions for the improvement of Research and Development facilities became more favourable. The Lisbon indexes were internalized in the conditionalities of the EUCP and regional competitiveness replaced any discourse concerning regional imbalances.

BROADER CHANGES IN THE EUCP POST 2014

The overarching logic guiding the trend towards the weakening of the objective of redistribution and the promotion of economic and social cohesion is that over 25 years of policies that aimed to achieve greater social and economic cohesion have

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failed to deliver sound results towards the convergence of national and regional economies (Barca, 2009; Farole *et al.*, 2011). As a result regional and national socio-economic inequalities persist in the EU economy. This, of course, is only partially true since the convergence amongst the EU countries has been more than significant (Petrakos, 2008; Rodriguez-Pose, 2012). Nonetheless, the trajectories of convergence amongst the EU regions have indeed been limited although the exact contribution of the EUCP in these trails has been far from easily identified[5] (Molle, 2008).

The 2014 reform of the EUCP introduced changes that aim to strengthen the efficiency of the policy, increase the performance of the recipient countries and regions and reduce the administrative costs. These changes make the EUCP 2014–2020 results-driven and oriented towards better coordination, simplification and accountability. The aims of the Lisbon Strategy as they were re-launched through the adoption of the 'Europe 2020' strategy are realigned with those of the EUCP. Thus, the countries and regions receiving cohesion funding are explicitly required to indicate the ways in which the projects funded contribute towards the achievement of the Europe 2020 strategy. As the Europe 2020 strategy document outlines:

> Economic, social and territorial cohesion will remain at the heart of the 2020 strategy to ensure that all energies and capacities are mobilised and focused on the pursuit of the strategy's priorities. Cohesion policy and its structural funds, while important in their own right are key delivery mechanisms to achieve the priorities of smart, sustainable and inclusive growth in member states and regions. (p. 21)

In a similar vein, the Council decision that adopted the EUCP regulations for the 2014–20 period introduced a package that contains several key elements. The first such element indicates the requirement for the recipient countries to outline a comprehensive investment strategy, the Common Strategic Framework, a precursor of the Community Guidelines, which indicates that

> all the policy aims of the structural and investment funds contribute to achieve the Europe 2020 strategy objectives. (European Council decision, December 2013)

Although the requirement to formulate concrete long-term documents as a precondition for the initiation of the national programmes has been an integral part of the regulatory framework guiding all previous periods, this is the first time that the countries will have to programme their plans in accordance with the objectives of the overall EU investment policy, in line with the Europe 2020 strategy. Another element of the regulatory package accepted by the Council – the Partnership Agreement – replaces the National Strategic reference Frameworks, and indicates the complete alignment of the EUCP objectives with those of the Europe 2020 strategy, this time in relation with the sub-national authorities as well as the central governments of the recipient countries.

The three pillars of the new EUCP consist of the 'smart, sustainable and inclusive growth' and as Agh (2011) argues the first two pillars of the Europe 2020 agenda are reduced to the goal of economic competitiveness, whilst the third pillar (inclusive growth) that represents solidarity between the member states is seen as contradictory to the former two pillars. Finally, one of the broader and more substantial changes is that the overall budget of the EUCP post 2014 is reduced (−5%, in real prices) in comparison to the 2007–13 period. This is the first time since the SEA of 1986 that the EUCP budget is decreased and although the reduction looks minor, it symbolizes

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the pressure of the net-contributor member states to foster a policy climate of austerity in the EU.

THE INFLUENCE OF THE BARCA REPORT IN THE NEW EU COHESION POLICY

The following section traces the theoretical and historical foundations of the place-based argument of the Barca report, shows the ways that the report has influenced the current EUCP in broad terms and presents the main characteristics of the place-based policy. Moreover, it shows the utilization of the place-based policy through the introduction of the Community-led Local Development (CLLD) and Integrated Territorial Investments (ITIs) policy tools.

The intellectual foundations for the incorporation of the place-based approach in the design and implementation of the EUCP were laid down with the publication of the Barca report (Barca, 2009).[6] Subsequent to its publication, the main ontological assumptions of the place-based approach were developed in two publications by the author of the report as well as his main collaborators (Farole *et al.*, 2011; Barca *et al.*, 2012). Moreover, the Barca report has influenced a lot the new EUCP, not only in the construction of the CLLD and ITIs, but also in the institutional and regulatory changes that we outline in the next section.

As the Barca report argues, there is a strong need to have a reform of governance based on ten pillars, such as 'an innovative concentration of 55%–65% of funding on 3–4 core priorities and a conservative territorial allocation (Pillar 1)', 'a new strategic framework for cohesion policy that includes a set of indicators for assessing performance (Pillar 2)', 'a new contractual agreement between the Commission and the Member States (Pillar 3)' and 'the establishment of a set of ex-ante conditionalities (Pillar 4)' (Barca, 2009, p. IX).

The conceptual and analytical approaches from which the place-based approach draws are eclectic. Both endogenous growth theory and new institutional thinking are cited together with geographical economics in Farole *et al.* (2011). Similar albeit more influenced by economic thinking are the approaches cited by Barca *et al.* (2012) (endogenous growth, new economic geography and the institutional turn in economics). The Barca report itself incorporates these methodological approaches but also analyses the governance mechanisms that can deliver the results that it aims to achieve. Therefore, it proposes structures of multi-level governance (which however remains undeveloped as a conceptual framework) as well as the deployment of conditionalities that will increase the perceived inefficient deployment of the EUCP funding. Thus, it becomes clear that the 'institutional' turn in social sciences has influenced the Barca report and local institutions are analysed as important mediating factors determining the failure or success of an EUCP programme. Nonetheless, it must be noted that structural approaches in institutional analysis such as historical institutionalism are absent from the analysis and the local institutions are operationalized in functional terms. For example, Barca *et al.* point out that a place-based regional development policy is influenced by contextual factors in the sense of 'social, cultural and institutional characteristics'. However, they proceed to the identification of these characteristics as exemplified by those local policy actors 'who know what to do best and when' (Barca *et al.* 2012, p. 138).

The ontological and epistemological characteristic that unifies the approaches that have influenced the Barca report is the focus on endogenous trajectories of regional growth and the almost incomplete attention paid to exogenous forces that – might or not – determine the uneven geographical distribution of resources. It could thus be

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claimed that the Barca report is influenced by the rhetoric that has informed most economic thinking concerning uneven regional development over the last 20 years (see Hadjimichalis and Hudson, 2014). In the context of the EU, such an approach ignores the influence of differences in the international division of labour, geographical endowments and most importantly the position of each member state in the intra EU trade. These as well as other exogenous factors determine the geographical allocation of resources and the resulting regional development trajectories regardless of any policies pursued at the national or supranational levels. To be sure, Farole *et al.* (2011, p. 1093) admit that the processes of uneven geographical distribution of resources in the EU are – partially – the result of the parallel operation of centripetal vs. centrifugal forces that favour concentrations in core regions as implied by the new economic geography literature. However, they assume that these processes are endogenously produced and reproduced due to the uneven distribution of knowledge spill-overs and technological capacities amongst EU countries. Therefore, they see the deployment of large-scale developmental policies that would redistribute resources amongst EU territories as 'costly' and portray them as more than likely to prove harmful for the economic growth potentials of the continent as a whole (Farole *et al.*, 2011, pp. 1095–1096).

The Barca report accepts most of the recommendations produced by the Sapir report (Barca *et al.*, 2012, p. 138). The central proposal of the Sapir report was that the EUCP should invest in countries rather than sub-national entities and reorient its priorities from the provision of basic infrastructure towards the knowledge economy (Sapir *et al.*, 2004); although the Sapir report was immediately contradicted, as regards infrastructure, by the Kok report (2004).

The Barca report outlines that a place-based approach in regional policy should aim at

> tackling persistent underutilisation of potential and reducing persistent social exclusion in specific places through external interventions and multilevel governance. It promotes the supply of integrated goods and services tailored to contexts, and it triggers institutional changes. (Barca, 2009, p. VII)

Underdevelopment, poverty and relative deprivation are presented as 'lost opportunities' for the people affected. Economic agglomerations are not seen as harmful for the territorial distribution of resources as they can be substantial 'drivers for economic development through innovation'; as Farole *et al.* (2011) put it:

> the link between innovation and agglomeration tends to be self-reinforcing. (p. 1095)

Therefore, a policy should be cautious about altering the dynamics towards clustering of economic activity as this is more than likely to cause disturbances in the innovation and technological capacities of the core regions (Barca *et al.*, 2012, p. 138). The solutions to the problems caused by geographical misallocation of resources will have to adhere to the basic idea that 'the state does not always know best'. Thus, government intervention is seen as potentially equally as harmful as the unfettered operation of the markets and a middle range solution is to be found in a place-based policy. Extensive government intervention may cause a 'dependency culture' and favour institutional 'rent-seekers' instead of 'institutional innovators'. Moreover, in terms of governance of the future EUCP programmes, the Barca report's proposal for the strengthening of the role played by the Commission in all policy stages has been adopted. Finally, the regional level of intervention (NUTS II regions) that had been deployed by the Commission for the disbursement of EUCP funding is challenged for its appropriateness to affect economic growth potentials of all areas.

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Overall, in both the relevant academic and policy discussions the place-based approach is portrayed as the only available solution to the 'challenges' facing the modern world. The objectives of territorial convergence are portrayed as outdated and irrelevant to the contemporary realities that the EU is facing which has been inexorably altered by the unmanageable forces of globalization (Barca *et al.*, 2012, section 2). The authors assume that one of the principal objectives of the EUCP has been:

> to maximise overall growth, while also achieving continuous growth in outcomes and productivity across Europe's regions. (Farole *et al.*, 2011, p. 1090)

They point out that there are no clear indications that the EUCP has influenced the uneven distribution of resources amongst EU regions; hence they propose a new policy perspective that ignores the fact that some (less developed) regions should have the right to potential convergence with other more developed regions. The aims of development intervention should be tailor made in the local 'underutilized' potential of the localities where the new EUCP is to be implemented. The long-term objective of a place-based approach is the incremental adjustment of local skills in the needs of a competitive jobs market. Thus, the EU localities will adjust to what is considered a 'difficult' macroeconomic environment with less developmental and redistributive spending available at the EU level.

In operational terms, the place-based approach has influenced most of the programming of the new EUCP. The EUCP 2014–2020 introduces an integrated approach to territorial development through the use of two new instruments, which are conceptually built on the place-based policy approach; the CLLD and the ITIs. The CLLD is introduced for all the Structural Funds where Local Action Groups will be responsible for the implementation of local development strategies (European Commission, 2012; cited in Mendez *et al.* 2013). ITIs will be based on an integrated territorial strategy and can be implemented at any spatial level, for which an integrated territorial development strategy has been set up. It may cover a region, an urban or a rural municipality, a neighbourhood or any other sub-national territory. ITIs will draw funds from at least two priority axes in the same or different programmes for urban development, through an intermediate body in every region that will consist of local authorities, regional development bodies or non-governmental organizations, to carry out the management and implementation of an ITI (European Commission, 2013). Thus, ITIs are implementation tools and can be the main delivery instruments for the implementation of Operational Programmes (OPs). The CLLD and the ITIs will enable local and regional authorities (a) to set local development agendas with context-specific goals and (b) to act as an important spatial node (in a multi-level governance system) in the implementation processes of – previously national – OPs. Also, the place-based approach has been mainstreamed in all the Regional Operational Programmes that will be funded in the recipient countries in the next programming period. Therefore, the relevant regional Managing Authorities will have to clearly indicate the policy tools that they will adopt in order to internalize the constituent elements of the place-based approach.

THEMATIC CONCENTRATION, PERFORMANCE RESERVE, CONDITIONALITIES

Thematic concentration

The Structural Funds (ERDF and European Social Fund) now have a binding set of thematic priorities that limit the range of interventions to a set of growth-enhancing areas

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that are directly derived from the Europe 2020 agenda. Although the thematic priorities form a new version of the 'Lisbon earmarking' mechanism of the 2007–13 period, the investment priorities are now minimized (11 instead of 62) and have a more binding character for all member states.[7] The idea behind the concentration of the thematic priorities on a limited set of goals is European Commission aims of:

> bringing the greatest added value in relation to the Union strategy for smart, sustainable and inclusive growth. (Com, 2011, p. 615)

The introduction of the 11 thematic priorities does not only indicate the increased policy attention that will be paid to particular policy areas by the EU. The thematic priorities also entail significant operational ramifications concerning the policy objectives promoted by the EUCP. This is the case because, in essence, the thematic priorities replace the geographically defined priority objectives that had been deployed for the disbursement of the EUCP funding since 1989. Until the 2007–13 programming period, the EUCP had been disbursed to three regional units: the convergence objective, the competitiveness objective and the territorial cooperation objective. The former two objectives replaced the previously operating Objectives 1 and 2 which had clearer geographical and territorial foci, as especially Objective 2 usually referred to parts of a region. Each of these priorities corresponded to specific regional entities that were eligible for funding from the relevant Structural Fund. Although the regional classification guiding the EUCP remains for the 2014–20 programming period (less developed, transition and more developed regions) the disbursement of funding will not take place in accordance with it. Instead, the EUCP funds will be disbursed in accordance with the 11 thematic priorities that objectify the aims of the Europe 2020 strategy. In other words, the EUCP does not finance regions as such anymore; regions are funded in accordance with their needs as they are specified by the thematic priorities directly taken by the Europe 2020 strategy.

Performance reserve

The performance reserve was first introduced with the third programming period (2000–06) of the EUCP and aims at rewarding the best performing regions by allocating extra funds taken by the least performing regions. It was sustained in the regulatory framework guiding the EUCP in the period 2007–14 albeit on a voluntary basis (Bachtler and Ferry, 2013). The final decision that was agreed by the Council indicates that the performance reserve will amount to around 6% of the national allocation under the five structural and investment funds. This amount will be directed to the best performing programmes (be it national – sectoral or regional) at the end of the programming period. These programmes will have to have met a set of pre-defined targets related with the effectiveness of the programmes. This is to be measured using indicators that will compare the initially planned aims of the programmes and the end products.

Conditionalities

There are two types of conditionalities that will operate in the EUCP post 2014. First, the macroeconomic conditionality will operate as part of the wider macroeconomic surveillance of the budgetary limitations that will accompany the common currency. Second, there will be conditionalities operating inside the context of the EUCP and will relate with the need to comply with the thematic priorities outlined above.

Macroeconomic conditionality in Eurozone countries and EUCP funding. As regards the introduction of macroeconomic conditionality as part of the wider macroeconomic coordination of the Eurozone countries, it is partially the answer of the Council to the pressure for greater fiscal discipline as a result of the economic crisis in Europe:

> the crisis has revealed clear weaknesses in our economic governance, in particular as regards budgetary and macroeconomic surveillance. Reinforcing economic policy coordination therefore constitutes a crucial and urgent priority. (European Council, 2010, p. 4).

Until the programming period 2007–14, the only funds that were subject to macroeconomic conditionality were those directed through the Cohesion Fund. According to the logic of macroeconomic conditionality, the continuation of the financing of these projects was subject to the respect of the rules governing the Stability and Growth Pact and operated in accordance with the Broad Economic Policy Guidelines (BEPG) that aimed to coordinate macroeconomic surveillance amongst the countries that would adopt the euro. If the controls implemented by the Commission found that a country exceeded the BEPG (relating with budgetary discipline and fiscal parsimony), the country would forfeit funding from the Cohesion Fund. Given the limited funds that were diverted through the Cohesion Fund, the implementation of this type of macroeconomic conditionality did not have significant repercussions regarding the final allocation of funding. Moreover, the BEPG operated in accordance with the Open Method of Coordination and the recommendations adopted by the Council were not legally binding for the member states (Article 121 of the Treaty on the Functioning of the European Union). It thus had voluntary enforcement mechanisms – such as peer pressure – that by definition could not have impacted profoundly in the final allocation of moneys directed through the Cohesion Fund.

Nevertheless, in the 2014–20 period the deployment of the EUCP funding for the enforcement of macroeconomic surveillance in the Eurozone countries becomes strengthened. The European Fiscal Pact introduced in 2011 postulates that if a country exceeds the limits set by the reinforced BEPG, it will automatically become eligible to forfeit funding from EUCP programmes. This is reinforced by the existence of ‘the troika’ (the European Commission, the European Central Bank and the International Monetary Fund) in the countries that have traditionally benefited from EUCP funding (Greece, Ireland, Spain and Portugal). The strict manner in which the troika interprets the rules concerning fiscal discipline and budgetary austerity takes the macroeconomic coordination in the Eurozone countries into uncharted territories. The logic of fiscal parsimony and in particular the requirement for all member states to present yearly balanced budgets is now constitutionally enshrined in the EU through the European Fiscal Pact.

Certainly, it is early to evaluate to what extent the troika or the EU Council will deploy this sort of punitive mechanism when it comes to the EUCP funding. In other words, it is unclear whether the troika will indeed withhold funding from EUCP programmes as a penalty for breaching the austerity measures. Nevertheless, so far, the troika has been indifferent to issues of socioeconomic significance (unemployment, poverty rates, etc.) affecting the populations of the countries in which it operates. Similarly, it has been more than adept at treating the national budgets in purely logistical terms. As a result, it identifies the state finances for economic development, health, education and social welfare as primary targets for cuts. Thus, there is little indication to assume that the EUCP funding will be treated differently. Moreover, the dogmatic position of the German governments concerning the constitutionalization of budgetary discipline provides little indication that the EUCP funding will not be deployed in

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punitive terms for countries exceeding the budgetary limits. In any case, it becomes clear that the only available expansionary macroeconomic tool that exists at the EU level operates as a mechanism for the compliance of the member states that do not adhere to austerity measures. There is a clear paradox since the EU will deploy the only possible countercyclical macroeconomic tool in the context of the economic crisis as a compliance mechanism for the imposition of further macroeconomic contraction.

Conditionalities inside the context of EUCP operation. The only type of macroeconomic conditionality that was applied to the remaining Structural Funds and aimed at ensuring the 'sound management' of the programmes has been the de-commitment rule. According to this rule any country that would not have spent the money that it had been allocated two years after it was committed would have to forfeit the funds from the programme's budget. This rule had attracted considerable criticism (Bachtler and Ferry, 2013) and was applied in a patchy manner. The rule entailed uniform regulations for all the recipient countries irrespective of the national and sub-national circumstances affecting the execution of the programmes. Nevertheless, in practice, the $n + 2$ rule as it has been known was applied with relative flexibility by the Commission, becoming $n + 3$ for those countries that have been most affected by the economic crisis (Bachtler and Ferry, 2013). This was however before the cementing of the logic of austerity in the economic governance of the EU and the introduction of the European Fiscal Pact.

In accordance with Article 17 of the Commission's proposal for a Regulation of the Structural Funds (Com, 2011, 615 final), the Commission explicitly links the start of the implementation of the OPs with conditionality for each Structural Fund (*ex ante* conditionality) that has to be adopted before the start of the OPs, or until the end of 2016. The conditionalities adopted through this method are related with need for the member states to indicate their compliance with the overall EU policies as exemplified by the thematic priorities. If the Commission is not satisfied with the application of the *ex ante* conditionalities, it has the discretion to terminate the relevant funds. In the Annex IV of the same proposal, the Commission introduces some 40 conditions (broken down by thematic objectives of the relevant Fund) that mainly have regulatory and institutional character, which the member states should meet.

True, the adoption of conditionalities for the establishment of the OPs aims to harmonize the institutional and regulatory mechanisms of the member states to a single regulatory platform, and hence assist them in the successful implementation of the projects. Also, the then EU regional policy Commissioner Johannes Hahn promised his institution will tread lightly when it comes to potentially withholding regional aid saying that:

> The use of the macroeconomic stick will be 'ultima ratio in case of persistent misbehaviour of a country ... the system proposed by the commission gives time to member states to introduce the necessary reforms before suspension of funds is activated. (EU Observer, http://euobserver.com/regions/121470, accessed 22 April 2014)

However, the point remains that the member states will have to provide to the Commission detailed argumentations concerning the ways in which they will adhere to the *ex ante* conditionalities in order to start receiving any EUCP funding.

THE RE-ORIENTATION OF POST-2014 EUCP TOWARDS MORE (PLACE-BASED AND CONDITIONAL) GROWTH AND LESS REDISTRIBUTION AND COHESION

Geography and geographical studies have long enriched the theory and practice of EUCP since the 1990s. EUCP has made extensive use of concepts like agglomeration

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economies, industrial milieus and clustering. Moreover, the European Observation Network for Territorial Development and Cohesion (ESPON) initiative as well as the discussions concerning the EU spatial or 'territorial' policy can be regarded as the epicentre of the ways that geography has inspired policies that take the spatial perspective as a departure point (Faludi, 2013). Similarly, the partnership principle of the Structural Funds has been influenced by the constituent elements of the place-based perspective.

However, the place-based approach in the current EUCP views 'region' in functional terms; a bounded entity that determines economic action and an economic agent that incorporates similar characteristics. This approach neglects the possibility that a region can be operationalized as socially and institutionally produced and reproduced and as a medium of human activity, which in turn produces its own regional environments. Moreover, the approach ignores the uneven relations of regions and localities in capitalism production. Any influences of approaches that pay attention to the historical interregional production of relations (and economic structures) that determine the economic trajectory of every region and locality are being neglected. On the contrary, the arguments of 'competitiveness' and 'convergence through growth' leave out of the discussion a number of conditions (e.g. history, connectivity of spaces, densities, class relations, etc.) that affect the economic trajectory of regions. Thus, the geographical issues are deployed in purely functional and teleological terms in order to construct ideal types of regions that are receptive to the endogenous processes that will lead to socioeconomic development. Also, as noted above, the analytical insights of institutional approaches that operationalize such structural dynamics – such as historical institutionalism – are absent from the place-based approach.

The functional treatment of geographical determinants of development leads to the place-based approach neglecting the greater obstacle in the implementation of the EUCP in ways that can be beneficial to the sub-national authorities of the member states. This is the widely different situation that is encountered in the EU countries as far as the constitutional arrangements – but also informal policy practices – regarding sub-national autonomy are concerned. Moreover, the focus on the ways that localities can handle their 'own future' shifts the existing power geometries from the national to the local (Bachtler, 2010). This leaves the national governments with less power in the planning processes of some of the co-financed programmes, which should now be decided and handled by local actors (municipalities and communes, business chambers, local interest groups, etc.). In certain EU member states (e.g. Spain and Germany) that have federal governance structures and/or have already devolved power to the lower spatial scales, the reform that the place-based approach incorporates seems reasonable and indeed desirable. Similarly, the countries that have developed capacities for implementing policies based on partnerships such as in Ireland will also be better able to assimilate the requirements of endogenous place-based requirements. Nevertheless, in other member states that have not had similar institutional devolutions or experiences with bottom-up participation (e.g. Portugal, Greece and Poland) the place-based approach is more than likely to cause mismatching problems in the alignment of local economic agendas with the national development priorities.

Besides, as Pike *et al.* (2006) argue, apart from their positive influences, local institutions may also contribute to functional, cognitive and political 'lock-in' where local development strategies remain focused on outmoded sectors or activities. The focus on the local level of analysis may also lead to a kind of local strategy trap, where excessive attention on local assets and characteristics can lead public and private actors to lose sight of the importance of connections between cities and regions in shaping their patterns of development (Tomaney, 2010). Seen from another angle, the place-based approach may

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be viewed by some member states (that have a prolonged top-down development practice) as justification for a more selective application of national government growth-promoting development investments that prioritize specific projects and areas, over others.

For the above reasons, the place-based argument could create different spatial hierarchies in respect to the inter-institutional linkages of the member states and the regions. Place-based policy formulation will work very differently in the EU-27, considering the institutional arrangements of each member state. For example, a report by STACHLECKER and KOSCHATZKY (2010) for the Fraunhofer Institute notes that Germany is a step forward in the context of place-based policy-making as it has already formulated its cohesion policy through the coordination between different levels of public governance, where the priorities are set through a kind of shared responsibility between the federal government and the governments of the federal states, which are in charge of implementing the measures according to the specific contextual needs. A new spatial dichotomy/hierarchy is then created between regions that have experienced similar policy-making arrangements and those that still rely heavily on a national policy centre. The former can accommodate the institutional requirements of the place-based approach much easier than the latter.

On the other hand, the place-based approach emphasizes 'soft' factors of development, that is knowledge (especially tacit), capacities to generate consensus and trust (the importance of local social capital is discussed extensively in the Barca report and the publication by FAROLE *et al.*, 2011), innovative capacities of firms and public/private organizations, high-level specialist skills of the labour force and good organizational capacities of the local elites (BACHTLER, 2010; BARCA *et al.*, 2012). Whilst elements of the above 'place qualities' might be found in every EU region, there should be major reservations about whether the less developed EU regions can build such conditions for a successful implementation of a place-based policy. For example, regions in southern Europe may have strong communitarian spirit, but these qualities are also associated with high levels of clientelism and corruption in local governance (AVDIKOS, 2010; CHARDAS, 2014). Local politicians, along with local stakeholders from the business community, often form 'local hegemonic blocs' (AVDIKOS, 2011) which are built in consensus with the local community and promote special economic interests (CHARDAS, 2014). In the opportunity of a place-based development policy, these local blocs or other regional assemblages and urban growth machines could root investments in certain local development trajectories, in the absence of broad local civic mobilization. Similarly, marshalling local interests in favour of local economic development may be welcomed as it will produce more income and employment opportunities. However, it may also contribute to the exclusion of other local groups (minorities, deprived communities, etc.) that do not have the capabilities to bring and promote their interest on the public consultation arena. This is augmented by the fact that CLLD and ITI downplay the role of traditional territorial administrations (such as the 'region', 'municipality' and 'commune') in favour of territorial imaginary entities (such as the 'functional region', 'places'). These new spatial imaginaries could provide new functional arenas for the pursuits of rent-seeking elites and new spatial assemblages could be formed through them. Thus, the ways place-based policies are constructed could augment intra-regional inequalities over the representation of interests to funding opportunities.

As a result, new spatial hierarchies may appear in the EU with some (most developed) regions that already possess the adequate skills and soft factors that permit them to include and root place-based funding in their special development needs, being juxtaposed with others (less developed) that would not exploit the full potential that such funding provides. These processes will exacerbate what has been identified by the relevant literature (Puga, 2002) as the main obstacle in the achievement of socioeconomic cohesion amongst EU regions. The dynamics of centripetal forces which are in force because the already developed EU regions attract more investment capital than the underdeveloped ones (Petrakos, 2008; Rodriguez-Pose, 2012) will be strengthened. From another angle, as Farole *et al.* (2011) admit, rural and sparsely populated regions are highly unlikely to benefit from the knowledge spill-overs generated by agglomerations in the core, as they generally lack the connections to access them, the capacity to assimilate them and the scale and the institutional environment that would enable them to function through the formation of local agglomerations.

Therefore, the pressure to unleash the local dynamics that can lead to a desired development path forgets the role of exogenous forces that favour a specific place over others (Hadjimichalis and Hudson, 2014). Foreign direct investment and the flows of global financial capital are rooted in specific places that have innovative and technological capacities, and can be considered as advantageous nodes in the EU (Puga, 2002). Moreover, comparative advantage is often built on a number of conditions that do not exist in every EU region, like the size and the specialized skills of the labour market and the localized increasing returns to scale (through formation of highly competitive industrial clusters). Also, the proximity of a region to advanced markets creates favourable conditions from an economic geography viewpoint that cannot be replicated elsewhere. Thus, some regions may never experience a comparative advantage over a product or service and may never converge to the level of more developed regions as is assumed by the place-based perspective. For example, it has been argued that an important factor behind the Irish successful integration in the EU economy was its favourable geographical position in connection with the core agglomerations of the EU economy (Barry *et al.*, 2001). This position has put it into a more competitive situation in comparison with its EU counterparts with similar levels of growth. Thus, Ireland could exploit decreasing transportation costs as well as proximity to suppliers and demand services regardless of – or complementary to – the policies that the Irish state had followed. The benefits of this geographical proximity arose for Ireland independently of endogenous institutional, policy or other factors and occurred largely due to the opening of the global markets during the 1990s.

A central element of the current article is that the place-based approach, along with the institutional and regulatory changes of the EUCP 2014–2020, limits the influence of long-lived discussions of regional policy like the issues of convergence, redistribution and spatial inequalities. It must be noted of course that the reorientation of the new EUCP away from the objective of convergence and redistribution assumes that the previously operating EUCP has indeed had redistributive outcomes. However, despite the fact that most of the EUCP funding had been planned to be directed to the so-called Objective 1 or Convergence regions, the estimation of the final allocation of the Structural Funds revealed the significant role of distributional politics in influencing the final allocation of the funding (Dunford and Perrons, 2012). Notwithstanding this analytical caveat, the turn towards growth-oriented policy goals at the expense of convergence objectives marks a turning point in the EUCP and its place in the broader macroeconomic governance of the EU.

These processes mark a new orientation for the EUCP towards a neo-liberal set of policies and discourses (e.g. competition, local qualities, etc.) that – as noted in the second section – had already been apparent in the policy since the early 2000s. True, it would be far-fetched to construct a line of causality between the adoption of

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place-based policy-making in the current EUCP and the turn towards the neo-liberalization of the policy. If anything, the place-based approach incorporates elements of neo-institutional thinking that has developed against the analytical logic of neo-liberalism. The latter only favours the unleashing of market forces as potential sources of growth. New institutionalism however has – amongst others – attempted to 'embed' economic relationships in socio-political contexts. Nevertheless, the argument of the paper is that the incorporation of place-based policy-making in a broader EU macroeconomic context favouring austerity and fiscal parsimony renders any positive influences in local institutions meaningless. The main issue concerning macroeconomic governance in the EU and its impact in the trajectories of regional imbalances amongst the territories of the continent is the insufficient policy development towards some form of fiscal coordination favouring expansionary policies. In the context of relentless fiscal austerity as the only option for all Eurozone countries – as exemplified by the institutionalization of the European Fiscal Pact in 2011 – the place-based approach offers a 'window dressing' to indicate the EU's interest in promoting balanced socioeconomic development and cohesion. This is even more the case since the EUCP 2014–2020 will be deployed by the Council and the Commission as mechanism for the imposition of penalties to those countries that will not adhere to budgetary discipline (through the macroeconomic conditionalities).

Also, despite the fact that the new institutional environment that will guide the new EUCP cannot be characterized as neo-liberal as such, it does retain a central analytical element that is also common to neo-liberal approaches in economic policy-making. This is the fact that all the policy options of the EUCP 2014–2020 intend to influence the supply side of the economic structures of the countries receiving Structural Funds. It is assumed that the improvement of institutional and innovation capacities at the local level will assist in the assimilation of knowledge spill-overs. In the long run, the aim is the achievement of convergence amongst EU territories through the improvement of the productive capacities of the underdeveloped regions.

However, it is simply unrealistic to expect that in the context of a monetary union which is the Eurozone, all countries will be able to produce innovative products. By definition, an economic union involves producing countries that have based their economic model in export-led strategies as well as countries that import and consume the innovative products constructed in the advanced localities (Hall, 2012). There is simply no example globally of a union of countries that are sharing a common currency, which comprises solely export-led economies. Therefore, a realistic regional development policy at the EU level should be able to tackle both the supply side deficiencies of the export-led countries as well as the low levels of demand of the import-led countries. In other words, what is lacking by the new EUCP – and indeed by the EU in general – is a policy mechanism that would augment the less developed territories' capacities to consume the innovative products manufactured in the core regions. Such a policy would address convergence and redistribution not as a 'costly' and ineffective endeavour to equalize all the EU regions in a certain level of income. Rather, it would see these issues as prerequisites for the recycling of trade imbalances created due to the uneven nature of market relationships in a union of countries sharing a common currency and market rules. If that is not the case, and redistribution is out of the dialogue concerning macroeconomic policies in the EU, regional policy becomes de-politicized (Hadjimichalis and Hudson, 2014) and the place-based policy argument along with the institutional and regulatory mechanisms of the new EUCP could indeed play the role of neo-liberal policy tool that neglects the fundamental political elements of the uneven development issue.

At the same time, the thematic priorities, the performance reserve and the conditionalities that have been introduced with the new EUCP will probably augment and open the possibilities for the re-creation of new regional inequalities. For instance, the macroeconomic conditionality does not take into account the fact that most regions in the EU do not command (nor have a right to tangle with) the construction process of their national fiscal policies and systems. Thus, those regions will be punished from the application of the macroeconomic conditionality, despite the fact that they do not participate in the national fiscal policy. Hence, a spatial inconsistency occurs: on the one hand, the macroeconomic conditionality is applied (and refers) to the national scale and on the other hand (place-based) EUCP is formed upon the regional and the local level. Yet, the regional and local levels are equally liable to be punished for fiscal rectitude although they did nothing to produce these outcomes.

Furthermore, although the unification of the investment (thematic) priorities could bring better coordination between the member states and the Europe 2020 goals, it can be questioned where it can be effective for fulfilling the different development needs of the regions. As Mendez *et al.* (2013) emphasize, a consequence of the thematic concentration of the funds is a lack of sensitivity to territorial specificities or synergies across different domains. The emphasis on competitiveness and innovation can bring out the desired added value in regions that have already restructured their economies and do not have deficiencies in basic infrastructure. However, the imposition by fiat of thematic objectives oriented in the enforcement of the knowledge economy to regions that still lag behind could prove less effective in creating the appropriate conditions to attract private investments. Especially for regions and member states that still face economic recession, the Structural Funds could have provided the investments for their immediate economic recovery, and not for development priorities whose results will be felt in the depth of time.

Also, the logic guiding the operation of the performance reserve but also the ways in which it has been applied in practice have been in contrast to the initially stated objectives of the EUCP regarding the reduction of regional inequalities and the promotion of socioeconomic and territorial convergence. Allowing the best performing localities to receive more funds than their initial allocations poses certain questions that are not adequately addressed by the regulations. For example, what is the criterion for the designation of the title of the best performing locality and what is the purpose of commending a certain locality at the expense of others? If the regulations only identify best performance as being related to better absorption rates, then they do not take into account the qualitative characteristics of the projects that are implemented.

Furthermore, the *ex ante* conditionalities create a much more complex institutional environment in national and regional administrations for the implementation of the new EUCP. This is unlikely to provide a favourable environment for the implementation of the Structural Funds in countries with insufficient administrative and institutional capacities.

Similarly, the harmonization of the institutional regulations of the member states could, on the one hand, provide the opportunity for some member states to reform their institutional frameworks and strategies in certain policy areas (like that of research-innovation and environmental policies). However, the introduction of reforms in areas such as in labour markets irrespective of regional and national circumstances and different levels of development does not recognize the effects of the current economic crisis. In some member states – like Spain and Greece – unemployment rates have reached almost 30%; hence this push towards harmonization through the conditionalities of the Structural Funds could end up creating more difficulties.

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CONCLUSION

The main theme analysed in the article is that the regulatory and institutional policy tools that have been introduced with the EUCP post 2014 do not address the commitment of the EU to promote socioeconomic and territorial convergence amongst its member states. The article identified trends towards the EUCP becoming mainstreamed in the broader economic governance of the EU – basically the Lisbon Strategy – being apparent since the early 2000s. The alignment of the Structural Funds with the Europe 2020 strategy in the 2014–20 programming period has led some commentators to describe the EUCP as essentially 'a wallet for other EU policies/goals' (Polvevari, 2013). The economic crisis that has plagued some countries of the Eurozone since 2010 has provided the opportunity to consider alternative ways for the rebooting of their economies. The institutional and policy experiences – at both the EU and domestic levels – of 20 years of design and implementation of EUCP programmes could have provided the blueprint for the adoption of countercyclical fiscal measures that would concurrently address the imbalances amongst EU territories. The analysis of the article suggests that these policy options have been more or less ignored.

Through the critical analysis of the place-based approach and the new regulatory and institutional mechanisms of the new EUCP, we aim to substantiate the argument that the Treaty's commitment to promote convergence does not have any discernible policy mechanism to indicate any effort for the achievement of such an aim. To be sure, the place-based approach in the new EUCP is not necessarily against the promotion of the objective of convergence. It could be argued that the endogenous growth that could be promoted by the place-based interventions could lead certain regions to grow and hence converge with the EU average. However, these prospects can only be likely for those regions that have already began the restructuring of their economies. Certain EU countries (mainly located in what has been known as Western Europe) have internalized the policy prescriptions concerning wage moderation, reform in social security systems and the turning of the economy towards knowledge-based activities. For the areas located inside these states, the current EUCP is likely to increase their levels of competitiveness and assist them converge towards the core EU regions. However, the push towards smart specialization and knowledge-intensive growth is unlikely to prove successful for those countries and regions that for historical or other reasons have not achieved these structural reforms. Therefore, the EUCP 2014–2020 is likely to exacerbate the already existing disparities in economic performance amongst the EU territories and augment existing uneven spatial relations. Moreover, if one operationalizes the current EUCP in the context of the wider policy prescriptions advocated by the EU in order to deal with the current economic crisis (European Fiscal Pact, austerity measures, cuts in public services, etc.), a novel institutional environment arises in the EU. This will challenge the prospects of a unified EU more than ever before in the history of European integration.

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NOTES

1. The then Belgian Foreign Minister who compiled the first report concerning the integration of the six founding members of the EU on issues of economic policy.
2. Named after the British Commissioner for Regional Policy.

3. Apart from Greece, Portugal, Ireland and Spain, richer countries such as the UK, Austria and Sweden encompassed territories that fell far behind the average growth rates of the EC/EU.
4. Titled 'An Agenda for a Growing Europe' the report was published in 2003 by an Independent High-Level Study Group, chaired by André Sapir, and established on the initiative of the President of the European Commission in 2002.
5. The yet undecided research concerning the Structural Funds' contribution in promoting interregional convergence is admitted by Farole *et al.* (2011, p. 1090). Regardless, the authors assign particular explanatory weight to this argument in order to justify the radical reorientation of the EUCP towards the complete abandoning of the convergence objective.
6. The report was prepared at the request of the then Commissioner for Regional Policy Danuta Hubner between 2007 and 2009 and was presented by the Italian economist Fabrizio Barca in April 2009.
7. The Lisbon earmarking mechanism of the 2007–13 period had a provisional character for member states that had acceded to the EU after 1 May 2004.

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