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**Panel: P114 EU social policy in the post-crisis era**

# *'The EU New Economic Governance and EU Cohesion Policy: More Effectiveness and Less Solidarity?'*

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## 1. Introduction

Since 1987, the European Union has undertaken explicit policy assignments in the name of "economic social and territorial cohesion". Following the inclusion of the principle of cohesion in the Treaty[1], the EU undertook to coordinate and develop a complex set of policy instruments labelled "cohesion policy". Since 1989, most of these instruments – now collectively referred as "European Structural and Investment Funds" – ESIFs - operate within a multi-annual programming framework that is being periodically revised according to a set of common principles: concentration, partnership, programming, additionality and, since 1999, sound management. At the time of writing, cohesion policy is going through its fifth programming cycle (2014-2020).

The article examines the linkages between EU cohesion policy and the coordination processes of national policies that have emerged in the EU since 2000 – the Lisbon Strategy, 'Europe 2020' Strategy and the 'new economic governance'. The starting point is that every 'policy' is in fact a complex regime of ends and means related goals (more abstract), objectives (less abstract), and settings (Howlett and Cashore 2009: 38-39). Therefore, in order to trace and appraise the development of a particular policy over time, one has a) to identify its distinct components, b) study the interrelationships that develop among them and c) detect the changes that take place at different rates (small-scale, typical, incremental; and larger-scale, rarer, paradigmatic form) and can result from activities endogenous or exogenous to the policy regime (Hall 1993). Moreover, from a historical institutionalist perspective, political institutions are not only periodically contested; they are the object of constant struggle, as actors attempt to gain advantage by interpreting or redirecting institutions in pursuit of their goals, or by undermining or evading rules that clash with their interests. Gradual change takes different forms; Streeck and Thelen (2005: 19-30) classify five modes of gradual but potentially transformative change: displacement (initially dominant institutions are being displaced by others); layering (new layers of institutions are added); drift (institutions are

[1] As defined in the Treaty, cohesion is an imprecise and nebulous concept that is open to multiple interpretations. Emphasis is placed on the reduction of levels of development between regions (and, since 1993, countries), whereas no definition of social and territorial cohesion is provided. It can be argued that the goal of cohesion is only marginally linked to the traditional notion of economic solidarity. Instead, stress is placed on improving economic efficiency by using a variety of fiscal and non-fiscal instruments. The Community and member states accordingly seek to improve the allocation of resources across the territory of the European Union, and in the long run, to ensure equal opportunities for the various economic actors (Andreou 2007: 1).

progressively weakened and rendered ineffective); conversion (institutions assume different functions than the ones they were originally exercising); and exhaustion (institutions gradually wither and die).

The official mission of cohesion policy is to narrow the gap in development levels between the EU regions. However, reality is far more complex; the creation and the evolution of cohesion policy has been inextricably linked with the progress of European integration and the inter-state compromises accompanying it. Cohesion policy has indeed been linked with different aspects of EU integration; each of these linkages has had crucial fiscal and political implications and has decisively affected the ends and the means of the cohesion policy regime[2]. In hindsight, the most influential sources of exogenously-driven change have been the Southern enlargement and the single market; the EMU project; the Eastern enlargement, the Lisbon Strategy; Europe 2020; and the new economic governance (Andreou 2016: 333). As stated previously, this paper focuses on the impact of Lisbon Strategy, Europe 2020 and the new economic governance. First, the main characteristics of these coordination processes are identified; then, the linkages that have been developed between these processes and cohesion policy are presented; a critical appraisal of the alignment of cohesion policy with Lisbon and its successors follows; the last section concludes.

## 2. Lisbon, Europe 2020 and the new economic governance

### *2.1 The Lisbon Strategy*

At the Lisbon European Council of March 2000, the EU set itself the objective of 'becoming the most competitive and most dynamic knowledge-based economy in the world, capable of sustainable economic growth accompanied by quantitative and qualitative improvement of employment and greater social cohesion'[3] (European Council 2000). The Lisbon Strategy has been based on the open method of coordination (OMC), a halfway house between the Community method and the intergovernmental policy-making, and was initially implemented by the means of distinct coordination processes - the most prominent one being the European Employment Strategy (EES). Lisbon was principally conceived as a policy (and reform) catalyst that would enable the member states to adopt the structural reforms required by their participation in the emerging EMU policy regime[4], without endangering subsidiarity - and national competences in the field of social policy in particular (Andreou and Koutsiaras 2004: 91). However, confusion about the objectives of the different coordination processes involved and a lack of political commitment by member states or of means of motivating them raised doubts about its effectiveness. In spring 2005, the European Council agreed thus on a re-launch of the Lisbon Strategy, focusing on an

[2] The term policy regime refers to the pattern of policy which policy-makers pursue over the long run: the goals that they prioritise, their conception of how the economy works so as to affect those goals and the measures they rely on to influence the economy so as to achieve those goals (Martin 2000: 3).
[3] Quantitative targets were set as follows: employment to reach 70%, female employment to reach 60%, unemployment to be reduced to 4% and investment in human capital (education, training, health, etc.) to rise to 50% of GDP by 2010.
[4] EMU can be viewed as a peculiar policy regime which combines centralised monetary policy, a highly decentralised fiscal policy and an even more decentralised political system (Tsoukalis 2000: 173).

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agenda of 'growth and jobs' through the mobilisation of national and Community resources. Several innovations were introduced.

- First, Lisbon became a more comprehensive approach to economic governance comprising a range of supply-side policies. At the same time, the focus on growth and employment reduced implicitly the prominence of social and environmental aims.
- Second, from a procedural perspective, policy integration significantly promoted, in particular through the introduction of new integrated guidelines that brought the Broad Economic Policy Guidelines (established by Art. 99.2 TEC introduced in the Maastricht Treaty) and the employment guidelines (established by Art. 99.2 TEC introduced in the Treaty of Amsterdam) together into a single set of recommendations.
- Third, by obliging member states to develop a single National Reform Programme (NPR) crossing over policy boundaries, the intention was to introduce greater coherence in the policymaking process and to promote 'ownership' and engagement by economic actors ( Liargovas and Andreou 2007: 232-33).
- Fourth, the new strategy was conceived of as a partnership between the national and Community levels in advancing supply-side economic reform (Begg 2006: 1-2).

In institutional terms, Lisbon did not constitute a distinct policy regime, but a governance architecture: a strategic and long-term institutional arrangement tackling strategic and long-term problems in a comprehensive manner, setting substantive output-oriented goals, and being implemented through combinations of old and new organizational structures (Borrás and Radaelli 2011:464).

*2.2 Europe 2020 and the new economic governance*

In 2010, the Lisbon Strategy was succeeded by a new ten-year governance architecture, Europe 2020. The new strategy was designed in order to help the EU cope with the impact of the financial crisis, Europe's structural weaknesses and intensifying global challenges. Its overall aim is to promote the comprehensive reform of the EU's growth model in order to lay the groundwork for the creation of a more competitive European economy offering more employment positions. In the words of the Commission, Europe 2020 is a strategy "to turn the EU into a smart, sustainable and inclusive economy delivering high levels of employment, productivity and social cohesion" (European Commission 2010: 10). This overall objective was converted into three strategic priorities: smart growth – developing an economy based on knowledge and innovation-, sustainable growth – promoting a more resource efficient, greener and more competitive economy – and inclusive growth – fostering a high-employment economy delivering economic, social and territorial cohesion. The three strategic priorities were translated into five interrelated and mutually reinforcing headline targets for 2020 - referring to the employment rate, R%D spending, sustainable development, educational attainment and poverty reduction - measured by nine headline indicators. These EU targets were then to be translated into national targets and trajectories to reflect the current

situation of each Member State and the level of ambition[5]. On top of these were added seven flagship initiatives. (European Commission 2010: 32).

In operational terms, the new strategy was modelled on its predecessor, as the national targets were to be incorporated into annual National Reform Programmes. On the other hand, emphasis was placed on further enhancing policy integration at both the European and the national level. For this purpose, the European Semester - a new system of coordination between the National Reform Programmes and the national Stability and Convergence Programmes (adopted in the framework of the Stability and Growth Pact) - was introduced in June 2010 (Heuse and Zimmer 2011). However, between 2011 and 2013, in its effort to confront the Eurozone debt crisis and improve its economic governance, the EU took further steps in order to enhance both hard and soft policy coordination. More specifically, a) various instruments and procedures for granting financial assistance to Member States experiencing serious financial difficulties were established, b) a series of legislative acts - "six-pack", "two-pack", Treaty on Stability, Coordination and Governance - introducing more binding elements in the coordination of national fiscal and macroeconomic policies were agreed on and c) a couple of non-binding initiatives - the Euro Plus Pact and the Compact for Growth and Jobs - setting more guidelines for national economic and fiscal policies were adopted (Delivorias 2015). The cumulative result of all these changes was the emergence of a new and labyrinthine policy regime, called "new economic governance". In this new policy context:

- Europe 2020 is now one of the four pillars of the new economic governance of the EU – the other three being macroeconomic surveillance, fiscal surveillance and financial assistance.
- A new coordination procedure, the so-called macroeconomic surveillance framework (containing a "Macroeconomic Imbalance Procedure"), was added to the thematic scope of the European Semester. In other words, the European Semester currently combines one process of "soft" coordination (National Reform Programmes) with two processes setting legally binding limits in the design and exercise of national fiscal and macroeconomic policies.

In sum, since 2011, the EMU policy regime has undergone a series of reforms that have enriched both hard and soft policy coordination of national fiscal and economic policies[6]. As a result, the EU is now pursuing a more detailed and binding policy agenda promoting market liberalization and active labour market policies in conjunction with fiscal discipline. From a public policy viewpoint, this means that, despite the fact that EU policy coordination still relies on the OMC, Europe 2020 and the new economic governance are far more constraining for the policy autonomy of national governments than 'Lisbon' used to be.

## 3. The alignment of cohesion policy with Lisbon, Europe 2020 and the new economic governance

The term "Lisbonization of cohesion policy" refers to the gradual enrichment of cohesion policy with policy goals and processes that were first embedded in the Lisbon Strategy. In fact, cohesion policy was first

[5] To meet the headline targets, the Council adopted ten integrated policy guidelines - six of which must be taken into account in their economic policies and four in the employment policies.
[6] It is worth noting that most of these reforms apply to all member states and not just to the Eurozone members.

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influenced by the reform pressures that gave birth to 'Lisbon' even before the launching of the latter. In 1999, the European Social Fund (ESF), one of the Structural Funds, became the main financial instrument at EU level to support the European Employment Strategy (EES) for the period 2000 - 2006. However, member states fought successfully the Commission's efforts to forge a link between the ESF and the EES at the institutional and administrative level, often paying only lip-service to the programmes and defending existing institutional arrangements and interests (Hartwig 2007).

Lisbon had a major impact on cohesion policy in period 2007-2013. To begin with, in its third report on economic and social cohesion, the European Commission (2004) advocated substantial changes in the logic of cohesion policy, aiming at the closer alignment between the activities of the Structural Funds and the reforms inspired by Lisbon. According to the Commission's terminology, what was needed was a more "strategic approach to cohesion"; key to the new approach would be a new strategic planning system, with the Community Strategic Guidelines for Cohesion (CSG) at the top[7]. This proposal was approved by the European Council of December 2005 (when the heads of state and government of the '25' agreed upon the outline of cohesion policy for 2007-2013) and was put into practice in September 2006, when the European Council adopted the Community Strategic Guidelines for Cohesion for 2007-2013; these delineated the priorities for the new generation of Cohesion policy programmes Structural Funds on the basis of the Lisbon targets[8].

The main elements of the strategic approach to cohesion can be summarized as follows:

- First, each country was to draft a National Strategic Reference Framework (NSRF), in line with the CSGs and the National Reform Programmes – the main national policy tools of 'Lisbon'[9] (Andreou 2007: 21).

- Second, one of the three new Objectives of cohesion policy, named "Regional Competitiveness and Employment" - and being second in rank after the "Convergence Objective"-, would be dedicated to the priorities of the reformed Lisbon Strategy, financing mainly 'soft' actions relating to investment in human capital, innovation and the knowledge society, entrepreneurship, environmental protection and job creation. "Regional Competitiveness and Employment" would be funded by the EU with EUR 48.8 billion (in 2004 prices), an amount that represented 15.8% of the EU's total contribution to cohesion policy for 2007 – 2013.

- Third, member states were asked to concentrate cohesion policy on actions supporting the 'growth and jobs' strategy according to specified 'earmarking' targets. In effect, 65 % of expenditure for the Convergence Objective and 82 % of expenditure for the Regional

[7] These guidelines would take into account the Broad Economic Policy Guidelines, as well as the employment guidelines (Andreou and Maravegias 2007: 601).

[8] The CSGs required the future cohesion policy programmes to target resources on three priorities: improving the attractiveness of member states, regions and cities; encouraging innovation, entrepreneurship and the growth of the knowledge economy; and creating more and better jobs (Council 2006).

[9] This document was to serve as the main reference point for programming (i.e. would replace the Community Support Framework or the Single Programming Document).

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Competitiveness and Employment Objective was dedicated to the priorities of promoting competitiveness and creating jobs European Commission (2007: 4).

- Fourth, a process of monitoring and reporting under both the NRPs and NSRFs foresaw periodic strategic reports by the member states on the contribution of their programmes to Lisbon (Andreou 2007: 21; Polverari et al. 2006: 3; Mendez 2011).

The reform that took place in the context of period 2014-2020 produced a much stronger alignment of cohesion policy with Europe 2020 and the new economic governance. This policy shift was initiated in 2011 - at the height of the Eurozone debt crisis -, when the Commission published its proposals on the 2014-2020 Multiannual Financial Framework and the Common Provisions Regulation of cohesion policy. According to Johannes Hahn, Commissioner in charge of Regional Policy, the Commission's intention was "to turn cohesion policy post-2013 into … the central tool that will allow us to reach the objectives of the Europe 2020 Strategy" (European Commission 2011: 3). At the programming level, the Commission proposed the introduction of a Common Strategic Framework, Partnership Contracts, and a menu of thematic objectives in line with the Europe 2020 strategy and its integrated guidelines. On top of that, new conditionality provisions would be introduced to ensure that EU funding creates strong incentives for Member States to deliver Europe 2020 objectives. More specifically:

- The *Common Strategic Framework* (replacing the Community Strategic Guidelines), to be adopted by the Commission, would set out key actions to address EU priorities; would provide guidance on programming applicable to all Funds; and would promote a better coordination of the various EU structural instruments.
- *Partnership Contracts*, agreed at the start of the period between the Commission and Member States, would set out the overall contribution, at national level, to the Thematic Objectives and the commitments to concrete actions to deliver Europe 2020 objectives. Clear and measurable targets would be defined in a performance framework.
- Conditionality would take the form of both *ex ante conditions* that must be in place before funds are disbursed, and *ex post conditions* that will make the release of additional funds contingent on performance. Finally, establishing a closer link between cohesion policy and the economic governance of the Union would ensure that the effectiveness of expenditure under the Common Strategic Framework Funds is underpinned by "sound" fiscal and macroeconomic policies (*macroeconomic conditionality*) (European Commission 2011: 8-9).

The publication of the Commission's proposals signaled the start of a two-year negotiation on the reform of cohesion policy that was concluded in December 2013, when the Parliament and the Council adopted the new Regulations on the European Structural and Investment (ESI) Funds. All the Commission proposals on the alignment of cohesion with Europe 2020 and the new economic governance were incorporated in the new legal texts of cohesion policy. As a result, the policy will invest around a third of the EU budget - EUR 351.8 billion at 2015 prices - in key areas in line with the Europe 2020 strategy.

The subjugation of cohesion policy to Europe 2020 has affected even the classification of EU regions and the link between policy goals, scope of intervention and method of allocating the EU financial resources.

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It was thus decided that 97.25% of the financial envelope of cohesion would be dedicated to a common policy goal - investment for growth and jobs, as set out in the Europe 2020 strategy[10]. In pursuing this goal, all regions can take advantage of the same scope of intervention (catalogues of investment priorities for the Funds) but to different levels of intensity, as defined by the rules on thematic concentration. The level of support still depends on each region's position in relation to the average GDP per capita of the EU-27. For cohesion policy, the EU now distinguishes between three categories of regions instead of the previous two (Convergence and Regional Competitiveness & Employment in 2007-2013). These three are:

- Less developed regions: those whose GDP per capita is less than 75% of the average GDP of the EU-27; around 50% of all resources for the investment for growth and jobs goal have been allocated to these regions - mainly located in the eastern and southern Member States.
- Transition regions: those whose GDP per capita is between 75% and 90% of the average GDP of the EU-27; around 10 % of the resources for investment in growth and jobs are allocated to transition regions.
- More developed regions: those whose GDP per capita is above 90 % of the average GDP of the EU-27; a little over 15 % of the resources for Investment in growth and jobs is allocated to these regions - mainly located in the central and northern Member States.
- Around 21 % of resources for the investment in growth and jobs goal are devoted to the Cohesion Fund and allocated to the eligible Member States. The Cohesion Fund continues to provide support to Member States with GNI per head of less than 90% of the EU average and to co-finance investment in environmental infrastructure and the trans-European transport networks. 14 Member States located in eastern and southern Europe, as well as Cyprus on a transitional basis, are eligible for support.

Regarding the strategic approach of cohesion policy, the new legal framework substantially strengthens links with the Europe 2020 strategy and seeks to improve coordination between the ESI Funds and the other EU instruments. In particular, the Common Provisions Regulation (CPR)[11]: a) sets out a Common Strategic Framework as a strategic guide for the ESI Funds at European level; b) requires Member States to draft one common document for the ESI Funds at national level: the Partnership Agreement; and c) defines common standards for all their Operational Programmes.

In order to target the ESIFs' investment towards the Europe 2020 strategy, 11 *Thematic Objectives* are defined. At the EU and Member State level, these objectives serve as a benchmark for the ESI Funds and represent a starting point for coordination in Partnership Agreements and programmes[12]. Other EU instruments also contribute to these objectives and Member States are encouraged to foster synergies

[10] The European Territorial Cooperation goal has become a separate goal, alongside the investment for growth and jobs goal. Its total envelope of EUR 10.1 billion represents just 2.75% of cohesion policy spending.
[11] Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, OJ L 347, 20.12.2013, pp. 320–469.
[12] Article 9 of CPR.

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and effective coordination between all available instruments at European, national, regional and local level. The Common Provisions Regulation also integrates the ESI Funds into the European Semester. The latter determines the goals to be pursued in the up-coming year for the whole of the EU, and also delivers a set of country specific recommendations that address key socio-economic challenges in each Member State. At the programming stage (Partnership Agreement and programmes), Member States have to make a clear link between ESIF interventions and the Europe 2020 strategy, with particular focus on the relevant country-specific recommendations. An important change in comparison with the previous periods is that this link must be maintained throughout the implementation stage. If new relevant country-specific recommendations are issued which require support from the ESI Funds, the Commission may request that Member States make appropriate adjustments to the Partnership Agreements and the programmes. Besides, the annual implementation reports presented by Member States from 2016 onwards for each programme will be much more focused on progress in achieving the programme's objectives relating to Europe 2020 strategy. In addition, Member States will report twice – in 2017 and 2019 – on progress in implementing the ESI Funds at the Partnership Agreement level. These progress reports must assess the ESI Funds' contribution to implementing the relevant country-specific recommendations, along with progress in achieving the Europe 2020 strategy's priorities (European Commission 2015a: 16-18).

The Partnership Agreements have been introduced to reflect the governance system of Europe 2020[13]. The main change is their scope; while the previous national programming documents (NSRFs and NSPs) contained only basic information about the complementarity of the EU Funds concerned, each Partnership Agreement was expected to present a comprehensive, coherent strategy regarding all five ESIFs. In other words, Member States were required to be much more specific about the ESIFs' planned contribution to the achievement of Europe 2020 priorities, the National Reform Programmes and the relevant Country- Specific Recommendations (European Commission 2015a: 20-21).

The new regulatory framework has created new incentives for Member States to deliver on EU priorities and thus maximise the impact of Union support, mainly through the following mechanisms: Performance framework and reserve; Ex ante conditionalities; Conditionality linked to sound economic governance; and Financial Instruments.

First, in order to monitor progress towards the objectives and targets set for each priority, each programme should set up a *performance framework* built on a set of indicators and establish clear, realistic and measurable milestones and targets. Every year, updated information on progress towards these milestones and targets will be provided in implementation reports and, by 2017 and 2019, in progress reports. By the second half of 2019, the Commission will review the performance of these programmes, based on the annual implementation reports submitted by Member States by 30 June 2019. Following this review, a *performance reserve* – amounting to between 5 % and 7 % of the resources allocated to the priority – will be allocated to programmes and priorities that have achieved their milestones[14]. In addition, where there is evidence of a serious failure in achieving a priority's milestones

[13] Articles 14-17 of the CPR.

[14] For programmes and priorities that have not achieved their milestones, Member States will propose a reallocation of resources across priorities having achieved their milestones, consistent with the thematic concentration requirements and minimum allocations.

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due to implementation weaknesses, the Commission may suspend all or part of interim payments for this priority. Financial corrections may be applied at the end of programming period if there is a serious failure to achieve targets.

Turning to conditionalities, the Regulations have laid down a set of legal, policy and institutional requirements (ex ante conditionalities), which should ideally be fulfilled by the time the Partnership Agreements and programmes are submitted. Ex ante conditionalities may be either thematic (linked to specific investment or Union priorities, as set out in the Fund-specific rules and Regulations) or general ex ante conditionalities (not linked to specific investment or Union priorities, for example the existence of administrative capacity for the implementation and application of Union gender equality law and policy in the field of ESI Funds). Member States must assess whether ex ante conditionalities applicable to their programmes have been fulfilled[15].

In order to ensure that ESIFs are used in a manner that is consistent with the priorities established in the context of the European Semester and the new economic governance, Member States must take into account: a) the National Reform Programmes where appropriate; b) the most recent relevant Country-Specific Recommendations; and c) any relevant Council recommendations, including those based on the Stability and Growth Pact and the economic adjustment programmes. Following adoption of the Partnership Agreements and programmes, consistency with the European Semester will be ensured through two mechanisms laid down in Article 23 of the Common Provisions Regulation:

- According to the "re-programming mechanism", the Commission may request a Member State to review and propose amendments to its Partnership Agreement and relevant programmes, where it is necessary to support the implementation of relevant Council Recommendations or maximise the growth and competitiveness impact of the ESI Funds in Member States receiving financial assistance. When a Member State fails to take action in response to this request, the Council may, upon the Commission's proposal, suspend part or all of payments for the programmes or priorities concerned. The decision on lifting any suspensions will be taken once the Member State has proposed amendments as requested by the Commission.
- According to the "economic governance procedure", if a Member State does not comply with the rules regarding the Excessive Deficit Procedure, the Excessive Imbalance Procedure or, for Member States under financial assistance, the related Adjustment Programme[16], the Commission will submit a proposal to the Council to suspend part or all of the commitments or payments for its programmes. The Council will then decide on suspension and, where the Member State has taken appropriate corrective action, on lifting suspension[17].

[15] In case of non-fulfilment at the time of programme submission, the Member States were allowed to present a plan setting out actions to be taken in order to ensure fulfilment not later than 31 December 2016. The Commission had the authority to decide, when adopting a programme, to suspend all or part of an interim payment to a programme's priority pending the completion of actions.
[16] Greece is the only member state currently under such a programme.
[17] In any case, suspensions should be proportionate and subject to the ceilings set out in Article 23(II) of the Common Provisions Regulation.

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Finally, ESI Fund programmes will contribute to delivering the objectives of the Investment Plan for Europe[18] by more effectively using funding and by doubling use of *financial instruments* (FIs) compared to the previous programming period. This will be facilitated by the new rules adopted for 2014-2020 FIs whose aim is to support and encourage their use as a more efficient and sustainable form of EU support. Member States may use FIs in relation to all Thematic Objectives covered by programmes and for all Funds. The new framework also contains rules on combining FIs with other forms of support, in particular grants, as this further facilitates the design of well-tailored assistance schemes that meet the specific needs of Member States or regions (European Commision 2015a: 23).

## 4. Discussion

The Lisbonization of cohesion policy and, subsequently, its alignment with Europe 2020 and the new economic governance has had a profound impact on the cohesion policy regime. At the level of policy goals, cohesion policy is now focused on the support of structural reforms aiming at increasing the Union's overall competitiveness; at the level of policy means, all cohesion policy instruments operate in accordance with the logic of conditionalities and, in theory at least, are fully integrated in the EU strategic programming (as expressed by the European Semester). Which are the causes of this set of gradual but significant changes? Generally speaking, the EU's official interpretation focuses on the need to maximize the efficiency, the effectiveness, and, in the final analysis, the added value of cohesion policy[19] (European Commission 2014). Following this argument, it is self-evident that, in order to become more efficient and effective, cohesion policy must serve the strategic goals of the EU Lisbon and Europe 2020 – "smart, inclusive and sustainable growth"-, that is, the objectives that promote the Union' s general welfare. Moreover, maximizing the added value of cohesion policy in the name of subsidiarity and proportionality calls for the improvement of horizontal and vertical synergies between national and EU policy-making; consequently, it is an imperative that EU develops a cohesive policy mix and that cohesion policy becomes an integral part of this. In this sense, Lisbonization is equated with the "modernization" of cohesion policy (Becker 2009). On top of this, it has been argued that Lisbonization reinforced the EU's capability to confront the systemic challenges it has been facing during the last two decades – the creation of the Eurozone, the Eastern enlargement (Bachtler and Wishlade 2005). Besides, the Lisbonization of cohesion policy, and the subsequent alignment with Europe 2020 have gone hand in hand with a "broadening" of the policy aims in which cohesion is expected to contribute to a variety of policy objectives (Begg 2010b: 79). Finally, it is worth stressing that most accounts in defense of Lisbonization and added value take for granted that cohesion policy must act with "limited financial resources" at its disposal.

Promoting policy effectiveness and improving the complementarity of cohesion policy (as the new ex ante conditionalities seek to achieve) is certainly a worthwhile objective; of equal value is the priority to improve administrative efficiency and good governance at all territorial levels (this indeed is one of the 11 new Thematic Objectives). However, in order to properly appraise this policy shift, one has to take into

[18] The Investment Plan for Europe focuses on removing obstacles to investment, providing visibility and technical assistance to investment projects and making smarter use of new and existing financial resources.
[19] For a discussion of the concept of added value, see Bachtler and Taylor (2003); Andreou (2009).

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account the specific policy environment in which Lisbon appeared and Lisbonization followed, as well as the policy preferences of the main EU actors (in this instance, national governments). Specifically, since 2000, the EU approach to economic development has gone through a sea-change, with competitiveness gaining ascendancy over solidarity or equity considerations (Heraud 2007). Moreover, in its effort to integrate its economic and social governance in pursuit of this liberal agenda, the EU, instead of using the traditional forms of European integration (the acquisition of more competences and/ or the expansion of its budget), has resorted to alternative ways of achieving common aims that lessen the transfer of power to supranational level. It has been plausibly argued that this policy choice is symptomatic of a diminishing will to integrate (Begg 2010a: 10). In other words, divergent policy preferences and resistance to more integration induced the EU governments to resort to a combination of soft and hard coordination methods – the former being extensively promoted in 2000-2010 and the latter gaining in prominence since 2010.

The main thesis of this paper is that Lisbonization is a deliberate attempt on behalf of the EU to mobilize a set of pre-existing policy tools (cohesion policy) so as to promote a liberalizing strategy that would have a minimal impact on national sovereignty and national public finances. In this line of argument:

- from a problem-oriented point of view, 'Lisbonization reflects the dominance of a liberal agenda focusing on competitiveness and downplaying social and distributive issues;
- from an interaction-oriented point of view, Lisbonization reveals the determination of the main EU actors to pursue the abovementioned agenda through the use of already available policy instruments.

Very serious doubts have been expressed about the efficiency and the effectiveness of this approach. So far, the bulk of criticism focuses on three dimensions: a) issues of compatibility between the various strategic coordination processes on the one hand and cohesion policy on the other; b) the phenomenon of increasing policy overload and conflicting objectives; and c) limited policy effectiveness. There is, however, another cause of concern that has been largely neglected, which is the distributional implications of Lisbonization for the EU budget and for cohesion policy itself.

The differences between cohesion policy and Lisbon should not be overlooked. The fundamental difference is the significance of a *spatial dimension* in the priorities of cohesion policy and the virtual *absence of a spatial dimension* in Lisbon and its successors. Secondly, Lisbon objectives and ESIFs objectives used to differ in *character*. Whereas some of the Lisbon Strategy's objectives were frequently very operational, the Structural Fund's general objectives were broad and not operational, allowing for a decentralised process of operationalisation and strategic prioritisation. Thirdly, the *governance structures* of Lisbon and the ESIFs differ. Lisbon was essentially defined as a uniform *top-down* strategy for the whole of the Union, while cohesion policy has stronger governance instruments at its disposal and the programming process involved a regionalised *bottom-up* approach. Finally, there are important differences as regards the *prioritised investment fields*. Most importantly, with the exception of the European Social Fund, the ESIFs used to support basic physical infrastructure investment, which is not significant in Lisbon. The ESIFs also open up possibilities for other kinds of development support (e.g. cultural heritage development, specific local types of production) not covered by the Lisbon Strategy (Danish Technological Institute 2005: 165-166).

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The concern with policy overload in Cohesion Policy is long-standing. In the early 2000s, Tarschys (2003) warned of increasing 'goal congestion' in the policy, with too many ambitions that were incompatible in terms of theoretical basis, timescale and desired outcomes. Several ambiguities in the purpose of the policy and potential conflicts in policy aims have also been detected (Andreou 2007; Begg 2010b). Policy overload has also serious implications for policy implementation:

- Regulatory overload; the regulatory framework has become increasingly complex, in part because it is being used to ensure compliance with other EU policy requirements (e.g. State aid, public procurement, Natura 2000), and the achievement of Europe 2020 and economic governance objectives (thematic priorities, macroeconomic conditionalities, ex ante conditionalities).
- System overload; over the past decade, there is growing evidence of the institutional capacity becoming overloaded (especially in financial control and audit).
- Accountability overload; recent research has detected a hierarchy of (increasing) demands for accountability (from the European Parliament to the European Commission, from the Commission to Managing Authorities, and from Managing Authorities to programme stakeholders), that are –in some cases – beyond the ability of the target actors to cope (Bachtler and Polverari 2017: 25-26).

From a public policy perspective, there is ample proof of policy overload when one tries to trace the evolution of cohesion policy over time. Following Howlett and Cashore (2009: 38-39), Andreou (forthcoming) attempted to identify the components of cohesion policy in periods 1989-1993 (when the formerly disparate elements of cohesion policy were brought together in a single policy framework) and 2014-2020. The results are portrayed in tables 1 and 2 respectively. Generally speaking, in Streeck and Thelen's (2005) terms, the most manifest forms of changes are: layering in goals and objectives; and a combination of layering and conversion in terms of instrument logic, mechanisms and calibrations. The main finding of this exercise is that, in 2014-2020, goal congestion is evident at the level of policy aims, while complexity is manifest at the level of means. It would be erroneous to attribute these problems exclusively to Lisbonization and its aftermath, since a) the congruence between the various components of cohesion policy was problematic from the beginning and b) the process of accumulation of goals and means had started well before the advent of Lisbonization. However, the dynamics of layering and conversion have accelerated since 1999, and Lisbonization is responsible for the bulk of these changes (Andreou, forthcoming).

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**Table 1: The components of cohesion policy, 1989-1993**

<table>
<tr><td colspan="2" rowspan="2"></td><td colspan="3">Policy Content</td></tr>
<tr><td>High Level Abstraction</td><td>Programme Level Operationalization</td><td>Specific on-the-ground Measures</td></tr>
<tr><td rowspan="2">Policy Focus</td><td>Policy Ends or Aims</td><td>GOALS:<br>- economic cohesion<br>- social cohesion (undefined); emphasis on employment creation</td><td>OBJECTIVES:<br>- inter-regional convergence in GDP per capita<br>- converting the regions seriously affected by industrial decline<br>- combating long-term unemployment<br>- occupational integration of young people<br>- promotion of rural development</td><td>SETTINGS:<br>- upgrading of infrastructure<br>- human resources training<br>- combatting social exclusion<br>- business support</td></tr>
<tr><td>Policy Means or Tools</td><td>INSTRUMENT LOGIC:<br>- programming<br>- concentration<br>- partnership<br>- additionality</td><td>MECHANISMS:<br>- EU Regulations<br>- National legislation<br>- ERDF, ESF, EAGGF, EIB<br>- national funding instruments<br>- private investment</td><td>CALIBRATIONS:<br>- CSFs<br>-OPs<br>- big projects<br>- Community Initiatives</td></tr>
</table>

Source: Anderou (forthcoming), adapted from Howlett and Cashore (2009).

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**Table 2: The components of cohesion policy, 2014-2020**

| | | **Policy Content** | | |
|---|---|---|---|---|
| | | *High Level Abstraction* | *Programme Level Operationalization* | *Specific on-the-ground Measures* |
| **Policy Focus** | *Policy Ends or Aims* | **GOALS:**<br>- economic cohesion<br>- social cohesion (undefined); emphasis on employment creation<br>- territorial cohesion (undefined)<br>- promoting smart, sustainable and inclusive growth ("Europe 2020") | **OBJECTIVES:**<br>- inter-regional and inter-country convergence in GDP per capita<br>- European territorial cooperation<br>- 5 "Europe 2020" goals<br>- 11 Thematic Objectives<br>- 3 Horizontal Objectives | **SETTINGS:**<br>- upgrading of infrastructure<br>-human resources training<br>- combatting social exclusion<br>- business support<br>-thematic concentration of resources<br>- promotion of "good governance" |
| | *Policy Means or Tools* | **INSTRUMENT LOGIC:**<br>- programming<br>- concentration<br>- partnership<br>- additionality<br>- sound and efficient management | **MECHANISMS:**<br>- Common Strategic Framework<br>- Country-Specific Recommendations/ Council recommendations<br>-EU Regulations<br>- National Stability Programmes<br>- National Reform Programmes<br>- national legislation<br>- ERDF, ESF, Cohesion Fund, EIB, EAFRD, EMFF, YEI<br>- IPA<br>- national funding instruments<br>- private investment | **CALIBRATIONS:**<br>-Partnership Agreements<br>- OPs<br>- big projects<br>- conditionalities<br>- national strategies (RIS3, integrated territorial approach etc.) |

Source: Anderou (forthcoming), adapted from Howlett and Cashore (2009).

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Unavoidably, goal congestion and organizational complexity take a toll on policy performance. Thus, numerous problems have been identified with the relationship between cohesion policy and the new economic governance. Firstly, there is concern that the thematic approach favored by Lisbon and Europe 2020 is producing an excessive ‘sectoralisation’ of Cohesion Policy and that this will lead to a stronger emphasis on the economic dimension of cohesion at the expense of the territorial and social dimensions Begg et al. 2014: 51). Secondly, there are several difficulties with the relationship between programmes co-financed by cohesion policy and Country Specific Recommendations (CSRs)[20] (Bachtler and Polverari 2017: 22). Finally, the macroeconomic conditionality provisions have been very widely criticized for their tension with cohesion goals; lack of fairness, equality of treatment and effectiveness; double jeopardy; and violation of the principle of subsidiarity (Begg et al. 2014: 44-45).

Last but not least, Lisbonization has gone hand in hand with significant changes in both the size and the allocation of the financial envelope of cohesion.

**Table 3: ESIF expenditure, 1989-2020**

(δισ. EUR, 2011 prices)

| | |
|---|---:|
| 1989-1993 | 75 |
| 1994-1999 | 245 |
| 2000-2006 | 311 |
| 2007-2013 | 460 |
| 2014-2020 | 400 |

Source: European Commission (2014: 188).

- EU expenditure in the name of cohesion experienced a spectacular increase between 1989 and 2013. In the current programming period, however, the budget for cohesion is undergoing a reduction for the first time in history (Table 3).
- Since 2006, the intensity of EU aid in less developed regions (funding relative to the population covered) has declined. Aid intensity started out at EUR 110 per person (at 2011 constant prices) in 1989, increased to EUR 259 in the EU-15 in the 2000–2006 period, declined to EUR 188 in the 2007–2013 period – despite the dramatic impact of Eastern enlargement on the EU’s “regional

[20] There is a lack of consistency in the framing of CSRs for different Member States and in different years as part of the European Semester process. Member States are also inconsistent in the way that they connect reforms in response to CSRs and interventions through Cohesion Policy, both in the design of programmes and their implementation. The implementation of CSRs depends on the quality of public administration, highlighting the importance of the reform and modernisation of institutional capacity through Cohesion Policy and wider institutional reform support through the Commission. Lastly, there is a missing ‘territorial dimension’ in the Semester process, which needs to take account of regional and cohesion challenges in the formulation of CSRs and their application.

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problem" - and has been reduced further to EUR 180 per person for 2014–2020 (European Commission 2014: 187).
- Finally, the share of cohesion funds for regions with GDP per capita higher than 75% of the EU average has grown from 15.8% in 2007-2013 to 27.6% in 2014-2020[21].

These developments can be attributed to several factors. First, since 1999 the negotiations on the future of cohesion policy take place in a policy environment favouring "sound public finances" and "added value". Second, the divergence of preferences between Eastern and Southern member states has given the richer member states the opportunity to impose a more restrictive approach. Third, in contrast with 1988, 1992, and 1999, the budgetary negotiations of 2004-2006 and 2011-2013 were not integrated into a larger package deal including financial and non-financial issues. Hence, the less wealthy member states did not have the opportunity to maximize their financial gains by exacting side-payments in the name of cohesion (Andreou 2016: 360). Lastly, it can be argued that the dominance of the discourse associated with Lisbon, Europe 2020 and the new economic governance has further legitimised and strengthened the arguments calling for a "contained" cohesion budget transferring resources to poor and rich member states alike; in other words, Lisbonization has promoted the distributive interests of the richer member states at the expense of the poorer ones.

**5. Conclusions**

In the last two decades, EU cohesion policy has been progressively aligned with the EU's soft and hard coordination processes – Lisbon, Europe 2020 and the new economic governance. The 2006 and 2013 reforms in particular represent a turning point in the history of the policy, since: a) they introduced new strategic goals that were exogenously defined and not fully compatible with the cohesion objective itself; b) they imposed new centrally and exogenously defined operational objectives, mechanisms and calibrations and c) they put into effect a complex set of conditions and controls, also exogenously defined. This policy shift is officially justified as an attempt to enhance the added value of cohesion policy and to improve the overall policy mix in the EU. However, a more careful examination of available evidence has revealed the problematic character of the abovementioned changes, as they produce congestion at the level of policy goals and complexity at the level of policy means. Regarding policy goals, cohesion policy has become overloaded with numerous and contradictory objectives, diluting its Treaty focus and reducing the importance of 'place' and 'territory' in the design and implementation of programmes (Bachtler et al. 2016). This broadening of the mission of the policy has been accompanied by a reduction of its financial resources against the backdrop of a marked deterioration of the EU's regional problem (owing to the Eastern enlargement and the financial, fiscal and economic crisis of the last decade). Under these conditions, it is increasingly doubtful that cohesion policy will be able to *simultaneously* promote inter-regional convergence, the upgrading of the EU's overall competitiveness (as Europe 2020 aspires to) and the proper policy mix of fiscal and macroeconomic policies (as the new economic governance intends)[22]. It has been argued that this change legitimizes the reduction of the resources dedicated to

[21] Data on period 2014-2020 are provided by European Commission (2015b).
[22] In some member states, ESIFs are also being used to support the management of the recent migration crisis.

cohesion, as well as the distribution of a significant part of these resources to the wealthier EU member states. However, the partial decoupling of cohesion policy from its initial mission – reducing territorial inequalities – constitutes a blow for European integration, since it undermines the foundations of the goal of cohesion and of the element of solidarity that the latter entails Andreou 2016: 359-360). Concerning policy means, the growing top-down accumulation of more regulatory requirements hinders the ability of countries and regions to address development needs in ways most appropriate to national and regional circumstances (Bachtler et al. 2016).

The forthcoming reform of the EU budget and cohesion policy comes at a difficult time for the EU with major internal and external challenges[23]. One of the difficult debates for the post-2020 period is to clarify the priorities for cohesion policy and its relationship with other EU policies. As the Barca Report (2009) has already demonstrated, it is essential for the policy to re-focus on its original mission – the alleviation of territorial inequalities in the EU – and on a limited number of well-defined operational objectives; at the same time, there is a need for a more simplified and differentiated approach to the management and implementation (Bachtler and Polverari 2017). In the final analysis, EU actors must recognize that the subjugation of the goal of cohesion to the promotion of EU's overall competitiveness is economically and politically counterproductive and that a new balance between the two objectives must be sought.

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[23] Brexit will have an impact on both the 2014-20 period and post-2020 period. For the latter period, it will mean either a smaller EU budget or increased financing burden for the wealthier member states. It goes without saying that the size and the allocation of the cohesion policy budget will also be affected.

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