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On the Tenth Report on economic, social and territorial cohesion

Chapter 3.1 National policies for regional development

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Chapter 3.1
National policies for regional development

3.1.1. Introduction – The contribution of national regional and urban development policies to EU cohesion goals

The Treaty goal of reducing regional disparities is not solely shaped by European Union funding. It requires that, across the EU, Member States deploy substantial public resources of their own to address regional disparities, strengthen lagging areas and untap the growth potential of their territories. While EU cohesion policy provides a powerful common framework and a vital source of co-investment, it is expected to operate alongside – and interact with – nationally funded regional, urban and territorial policies ([136]). Understanding this landscape and how it relates to EU objectives is therefore essential to unlocking the full potential of all EU regions.

The relationship between Member States' own investment frameworks and EU cohesion policy is firmly established in primary EU law. Articles 174 and 175 of the Treaty on the Functioning of the European Union (TFEU) set out the EU's objectives of strengthening economic, social and territorial cohesion, and of reducing disparities in the levels of development of the various regions. However, Article 175 does not place this responsibility solely on the EU. It explicitly calls on Member States to conduct and coordinate their economic policies in a manner that will help to achieve cohesion objectives. A process for monitoring social convergence has been in place for several years to help the Commission monitor how Member States fulfil this commitment through their national policies.

Finally, the effectiveness of these policies, whether EU-funded or nationally financed, critically depends on policy coordination. This applies both vertically, between EU objectives and national strategies, and horizontally, across Member States. As regions in different countries increasingly face challenges, such as demographic change, the energy transition, and digitalisation, it is becoming ever more important to ensure that national territorial policies are not conceived in isolation but rather are aligned with shared EU-wide priorities and informed by experience elsewhere. The impact of cohesion policy can therefore be increased further by ensuring closer coordination of EU, national, regional and local policies and funding, including via the European Semester.

3.1.2. National policies for regional and urban development

As outlined at the beginning of this chapter, Member States have an obligation to pursue cohesion objectives in line with Article 175 TFEU. National measures for cohesion can be grouped into two broad categories: investment policies, and policies that do not have an accompanying investment component (such as strategic visions or planning frameworks). To a large extent, the administrative configuration of a Member State (federal versus unitary system) determines the configuration of these measures. Additionally, spatially blind policies, which account for the most significant part of the government budget, can have a significant impact on cohesion that should not be neglected. This points to the importance of ensuring full coordination of territorial investment policies and strategies with the rest of the budget and other government initiatives and actions. Other factors are also at play, such as geographical characteristics – for example islands, Eastern border regions, outermost regions - and the extent of reliance on EU funding.

This section provides a cross-cutting assessment of current practices across the Member States, relating to the pursuit of cohesion policies nationally.

([136]) Cohesion policy funding has amounted to the equivalent of 0.3-0.4% of EU GDP over the last two programming periods. Total public investment stood at an EU average of 3.6% of GDP (OECD, 2025a). While on average, national public expenditure is substantially larger than the contribution of cohesion funding, the concentration of cohesion policy funding greatly varies across territories, representing a substantial contribution in some regions (see Chapter 4.3).

Box 3.1.1: Monitoring social convergence through the European Semester

The European Semester is the EU's main framework for coordinating and monitoring economic, fiscal, and social policies across Member States. Social convergence — the upward alignment of employment and social outcomes — is tracked through the Social Scoreboard, which monitors headline indicators aligned with the European Pillar of Social Rights (EPSR) across areas such as poverty, employment, inequality, and access to services. The Social Convergence Framework (SCF) structures this monitoring across the two main phases of the Semester cycle. In the Autumn Package, the Joint Employment Report presents a first-stage screening of all 27 Member States to identify convergence risks, alongside a second-stage in-depth analysis of flagged countries assessing national policy responses([1]). In the Spring Package, findings feed into Country Reports — providing a detailed diagnosis of each Member State's economic and social situation — and into Country-Specific Recommendations, offering targeted policy guidance where challenges are significant([2]).

([1]) European Commission (2025a), Joint Employment Report, COM(2025) 958 final.
([2]) European Commission (2025b), European Semester – Spring package, COM(2025) 200 final.

3.1.2.1. National cohesion policies

EU Member States, on the whole, have national frameworks supporting territorial cohesion, though their scope and institutional anchoring vary considerably (Table 3.1.1). A clear majority of Member States have explicit national policies or instruments supporting territorial, social and economic cohesion, coordinated by the central government. A smaller group of Member States – notably Belgium and Austria – have more limited national cohesion policies due to their federal structure. In Belgium, the regions of Wallonia, Flanders and the Brussels Capital region design and implement their own multiannual regional development programmes, which include explicit strategies for promoting cohesion. Other notable exceptions are Luxembourg and Malta, where the national cohesion policies are smaller in scope, reflecting the smaller size of these countries and therefore narrower internal disparities.

Across Member States, several distinct patterns emerge when comparing the existence of national investment policies and territorial strategies, on the basis of which Member States can be grouped. These groupings can overlap, given the diversity observed. A first group, composed primarily of large Member States, combines clearly defined national visions for regional development with dedicated policy frameworks. This includes Germany, Ireland, Spain, France, Italy, and Poland. These Member States typically develop clear national spatial or regional development strategies, supported by institutional structures and, in most cases, dedicated national funding instruments – reflecting the relatively strong role of the central government in shaping territorial development priorities. For example, France 2030 – a EUR 54 billion investment plan with several sectoral pillars – has a strong territorial vision, and is supported by a number of multi-level governance measures such as state-region co-investment contracts. Spain has a national development fund, but relies more on the regions to set strategies.

A broader set of Member States operates with national investment frameworks that are smaller in scope or less comprehensive. This includes countries such as Denmark, Greece, Latvia, Slovakia, Finland and Sweden. In these cases, national policies tend to be less fully developed or are very closely linked to EU funding.

Another notable grouping comprises Member States with a clearly defined national vision for regional development (in the form of strategies, plans, etc.), but more limited evidence of investment policies in place to achieve that vision. Such is the case, for instance, of Bulgaria, Estonia, Austria and Portugal. This may point to a mismatch between planning and implementation capacity in some cases, or a strong reliance on EU funding. As an example of the latter, Bulgaria and Portugal both have clear national territorial strategies (Bulgaria's National Concept 2026-40, Portugal's Territorial Strategy and Model) but investment programmes are predominantly linked to EU funding rather than their own policies. Where Member States strongly rely on EU funding to reach cohesion goals, national frameworks and strategies tend to be highly aligned, and independent policy programmes or plans are

much more modest. For example, Bulgaria, Greece and Portugal – three major recipients of cohesion policy funding – have national cohesion policies that are strongly aligned with EU funding (see Box 3.1.2).

3.1.2.2. Urban policies

Urban policies are pursued in many different ways across Member States. They are often anchored or primarily expressed in terms of urban land use planning, or, in other cases, focus narrowly on just a handful of sectors (such as housing or urban mobility). Almost all Member States have some form of urban policy at national level. The notable exception is Belgium due to its governance structure. While there is broad evidence of national urban policies across the EU, around two thirds of Member States pursue what can be labelled as 'implicit' ([137]) urban policies – i.e. where urban policy or strategies are considered under a wider policy framework for territorial development. For example, Ireland's National Planning Framework and National Development Plan – which set the agenda for territorial development – set up a dedicated fund for the development of urban areas and have clear policy objectives for developing urban areas. In other cases, 'implicit' urban policies are much more focused on urban planning, such as in Austria and Bulgaria.

Around a third of Member States have very clearly defined ('explicit') national urban policies and strategies. While these can be broadly grouped (Table 3.1.1), there are a number of notable differences in terms of what they target and how they are implemented. In terms of targeting, some Member States pursue urban policies or strategies that target specific urban areas. For example, France's *Politique de la ville* specifically targets deprived urban areas, while *Action cœur de ville* is for the revitalisation of medium-sized cities – with a strong focus on improving housing conditions. Other Member States have more overarching urban policy agendas, such as Spain and Sweden. While in all these cases the policy is set for the country as a whole, there are vast differences in how it is implemented, in most cases reflecting governance structures. An explicit multi-level governance model is pursued in some countries – such as Germany, France, the Netherlands and Poland – where subnational actors play a key role. In the Netherlands, a national strategy guides urban policy implementation by local metropolitan authorities, while in France coordination is achieved via 'city contracts' between the state and local authorities.

([137]) Based also on the classification used by UN-HABITAT.

3.1.3. Tools available for national, regional and urban development policies

In addition to national policies for regional and urban development, Member States have a range of policy tools at their disposal for addressing territorial disparities. Five broad categories stand out in terms of their reach and structural relevance:

Regional state aid, which allows governments to direct investment incentives towards disadvantaged areas within the constraints of EU competition law.

Special economic zones, which are areas with different business and trade laws designed to stimulate regional economic growth, attract foreign direct investment, and create jobs.

National public investment programmes, which encompasses sectoral spatially targeted expenditure across sectors that are foundational to regional development, from infrastructure and innovation to employment, human capital and social inclusion.

National and subnational fiscal policy frameworks influence whether subnational governments have the financial resources and autonomy needed to translate policy responsibilities into effective territorial action.

National and subnational reforms include a broad range of possible measures by the various levels of government, depending on the constitutional organisation of powers. A key objective of reforms is to tackle barriers to growth and investment, strengthen the growth potential and also improve the investment environment to fully reap the impact of funding.

These categories are not separate from each other: they interact, reinforce and at times contradict one another, and the way in which they are combined shapes the overall territorial development landscape of each Member State more profoundly than any single instrument could do alone.

Box 3.1.2: National Cohesion Policy in Cohesion Fund Member States

National cohesion policies play a critical but limited role in reducing territorial disparities within EU Member States, particularly in the 15 countries eligible for Cohesion Fund support([1]). While European cohesion policy primarily aims to reduce disparities between countries, national cohesion policies focus on addressing internal regional inequalities. However, the scale, scope, and ambition of these national efforts remain modest compared to EU-funded interventions - reinforcing the indispensable role of European Structural and Investment Funds (ESIF) in fostering balanced development.

A recent study (Marinelli et al., 2025) reveals that explicitly regional-focused national cohesion policies are scarce across most Cohesion Fund countries. Out of 58 selected measures that tackle regional disparities (2015–2021)([2]), 78% explicitly aimed to enhance territorial cohesion, but their financial weight remains marginal. National cohesion funding typically represents less than 0.3% of total government investment, with only Romania (1.5%) and, to a lesser extent, Slovenia and Czechia deviating from this trend. Compared to the European Funds allocations([3]), funding was modest, ranging from marginal levels (under 1% in most of Cohesion Member States) to slightly higher contributions (2.4% in Czechia). The only exceptions are Slovenia and Romania (with 4.1% and 26.6% respectively).

The allocation and implementation of cohesion funds across countries are highly uneven and do not have a clear link to factors such as size, GDP, or regional disparities. Greece and Romania jointly account for the largest shares of allocated funds among all countries in the study, jointly representing 88% of total allocated funds, while Cyprus and Latvia lack dedicated national cohesion measures entirely, relying instead on general transfers to subnational governments. Furthermore, although Romania, Czechia, and Poland absorbed 93% of actual disbursements, Greece faced significant implementation lags disbursing less than 2% of their allocated budgets during the reporting period.

National cohesion policies overwhelmingly prioritise two key areas: connectivity and business support. Over 72.8% of funding is directed toward connectivity, primarily transport infrastructure (10 measures), while digital and energy networks (two measures each) receive far less attention, reflecting a traditional focus on physical integration rather than the digital and green transitions central to EU Cohesion Policy. Meanwhile, business and enterprise, though accounting for only 14.4% of funding, represents 43.1% of all measures, with most support targeting SMEs (15 measures), followed by start-ups/scale-ups (12) and FDI attraction (6). Notably, research and innovation (R&I), a key pillar of the EU's Smart Specialisation Strategy, remains largely neglected, with only 3 countries implementing dedicated R&I measures.

Delivery mechanisms also reveal a preference for short-term and low-risk instruments, but a preference for long-lasting measures and centralised governance models. Grants and transfers dominate (used in 51 of 58 measures), while financial instruments (loans, guarantees) are rare. Centralised governance prevails, with 89.7% of measures designed at the national level and only 5 measures originating from regional or local authorities. Lastly, majority of measures (34 out of 58) have a duration of 7 years or more, revealing a preference for long-term national cohesion policies.

([1]) The study covers 15 EU Member States eligible for support by the Cohesion Fund, including single NUTS countries namely Cyprus, Malta, Estonia, Latvia and Lithuania, multi-NUTS 2 countries with a rather centralised governance such as Greece, Portugal, Hungary, Bulgaria, Romania, Czechia, Slovakia, Slovenia and Croatia, and Poland, which is a multi-NUTS 2 country with some governance power to the regions.

([2]) Measures were selected based on three criteria: (i) a territorial focus (explicitly targeting cohesion, less developed areas, or favouring such regions in funding allocation); (ii) a link to investment; and (iii) full national financing.

([3]) The term European Funds is used to refer to the European Regional Development Fund (ERDF) and the Cohesion Fund (CF). It is important to note that the comparisons of the national and European Funds are not exact, as their different scopes.

Table 3.1.1: Overview of national cohesion policies

MS	Investment policies supporting territorial, social and economic cohesion at national level	Territorial strategies / plans	Urban policies
BE	Regional policy exclusive competence of the 3 regions	Regions are responsible for their own territorial development plans	Regions are responsible for their own urban policy
BG	Ministry for regional development; no significant standalone national territorial instruments (non-EU funded)	National Concept for Regional and Spatial Development (in draft for 2026-2040)	National spatial planning includes urban planning considerations (no explicit urban policy)
CZ	Ministry of regional development; policies for cohesion such as Regions of Opportunities, RE:START policy for structurally disadvantaged regions	Strategy for Regional Development 2021+	Guiding principles for urban policy set at national level
DK	Some coordination at national level (e.g. via a dedicated ministerial portfolio for urban and rural areas) but development policies are mainly implemented locally	Regional development strategies closely coordinated with the local level (national association of municipalities)	Urban policy is regulated through the Danish Planning Act (2024)
DE	National regional development aid for all Länder; Joint Task for Improving Regional Economic Structure (GRW)	The GRW is the primary framework for regional development in Germany, addressing structurally weak regions	National urban development policy, urban regeneration/revitalisation policy, delivered through a nationally anchored co-financing instrument (Städtebauförderung)
EE	Ministry of regional affairs responsible for developing and implementing territorial development policy	National Spatial Plan Estonia 2030+ (Estonia 2050 under preparation) and targeted territorial action plans	Urban policy is included in regional development and spatial planning considerations
IE	National Development Plan 2021-2030; Rural Regeneration and Development Fund; other targeted support schemes for rural communities and towns/villages	Ireland's National Planning Framework guides capital investment in the regions	Urban policy is integrated in the National Planning Framework
EL	National coordination bodies include the Ministry of National Economy and Finance and the General Secretariat for Public Investment; National policies are closely aligned with EU funding	National strategies are closely aligned with EU partnership agreement, but a new National Strategy for Regional Local Development is set for completion in 2026	Urban policy is included under the broader planning framework
ES	Inter-territorial Compensation Fund; National System of Regional Incentives	National Strategy Facing Demographic Challenge (targeting interior regions)	Explicit national urban policy (Spanish Urban Agenda) providing urban planning guidelines
FR	France 2030; National agency for territorial cohesion with a dedicated budget; fiscal equalisation measures; multi-year State-Region co-investment contracts	Partnership agreement between the state and regions	Explicit urban policy targeting deprived areas, implemented through city contracts. Other national policies targeting small and medium-sized towns
HR	National grants and programmes for regional development	National Development Strategy 2030	National spatial development strategy has urban planning considerations
IT	Dedicated national agencies/ministerial bodies, and national investment programmes targeting territorial development (Cohesion agreements)	Strategic plan of the Special Economic Zone; national strategy for inner areas	Urban policy at the national level is largely linked to EU funding; it is also embedded in the national strategy for sustainable development

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Table (continued)

CY	Specific sectorial policies with a territorial dimension, e.g. for social housing and mountain communities	No explicit territorial development strategies/plans	Urban planning frameworks in place (no explicit urban policy)
LV	Latvia 2030; limited own budget regional development schemes that are not fully decoupled from EU funding	Regional policy guidelines complementary to EU funding	Urban policy is embedded in Latvia 2030
LT	Lithuania 2030; limited national budget allocations for regional development	Regional development programme is closely linked to EU funding	Urban policy is embedded within broader spatial planning and territorial development frameworks
LU	No explicit territorial development policy at national level	No explicit territorial development strategies/plans	Territorial Planning Master Programme identifies territorial inequalities as a strategic challenge, by prioritizing small cities and towns
HU	Ministry for rural and local development under incoming administration. Several focused instruments supporting cohesion	National Development 2030	Urban development is part of the National Development and Territorial Development Concept
MT	Dedicated budget for Gozo's economic development	Strategic frameworks for Gozo	Urban policy is pursued via a number of targeted initiatives, such as urban regeneration schemes, and is a part of the Strategic Plan for Environment and Development (SPED)
NL	Spatial Policy Document with long-term vision; National Vital Regions Programme	National spatial planning policy; water governance strategies	National urbanisation strategies are complemented by subnational-scale urban policies
AT	The Fiscal Equalisation Act and other federal investment programmes serve to support territorial development and cohesion	Austrian Spatial Development Concept 2030	Austria's Spatial Development Concept 2030 includes urban planning considerations; Climate-Neutral City and Smart City Initiative (sectoral)
PL	National Regional Development Fund; Act on the Principles of Development Policy provides the foundational architecture for regional development	Strategy for Responsible Development 2020-2030; national development strategies and territorial contracts aligning local regional development with national priorities	National Urban Strategy, bolstered by the Acts on Revitalisation and Spatial Planning
PT	National Investment Program 2030 and national and regional programmes for tackling territorial asymmetries – but strongly linked with EU funding; ongoing administrative decentralisation of some policy areas (agriculture, education, health, environment and culture)	Territorial Strategy and Model (PNPOT), but national strategies are strongly linked to EU funding	The PNPOT provides principles and guidelines for sustainable urban development
RO	Ministry for regional development; primary own-budget investment programme supports the modernisation of local communities and territorial cohesion	Regional development strategies complimentary to EU funding	Urban development is largely pursued by sectoral policies (e.g. housing, social inclusion), and is mainly linked to EU funding
SI	Promotion of Balanced Regional Development Act; Regional Development Programmes for the 12 development regions, but these are limited in terms of own resourcing (linked to EU funding)	Regional Development Strategy of Slovenia 2026-2050 and Spatial Development Strategy of Slovenia 2050, but strongly linked to EU funding	Spatial Planning Strategy of Slovenia 2050 has urban policy considerations

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Table (continued)

SK	Limited own-resources regional development programmes (non-EU funded)	Slovakia's Development Vision and Strategy until 2030 is under preparation	Urban Development Policy of the Slovak Republic by 2030
FI	National investment policies for regional development are closely linked with EU funding	Some specific territorial strategies e.g. the Islands programme, Arctic Strategy, Eastern and Northern Finland, and for rural areas	Urban Policy Committee coordinates urban policy; National Urban Strategy 2020-2030 is prepared jointly by the central government and cities
SE	Agency for regional growth oversees regional enterprise grants and support to northern areas, but policies are mainly sectoral	National strategy for sustainable regional development 2021-2030 along with targeted territorial strategies (Arctic, Norrbotten and Västerbotten) but all are mainly sectoral	Explicit national strategy for sustainable urban development (Strategy for vibrant and safe cities)

Regional policies/strategies: There is a clear regional development policy and/or strategy at national level Urban policies: There is an 'explicit' national urban policy/strategy

Regional policies/strategies: They exist but are not comprehensive (or to some extent linked to EU funding). Urban policies: 'implicit', i.e. embedded within wider frameworks, or only in the form of planning/sectoral strategies, or closely linked to EU funding

No clear regional development policies / strategies / urban policy at national level, or entirely linked to EU funding

Source: European Commission based on OECD Regional Outlook country reviews, UN-HABITAT Urban Policy Platform, and national government sources.

3.1.3.1. Regional State Aid

Regional state aid constitutes one of the most directly targeted instruments available to Member States for steering private investment towards disadvantaged regions. Under EU competition law, state aid is in principle incompatible with the internal market under Article 107(1) TFEU, as it risks distorting competition and trade. However, the Treaty itself provides explicit derogations for regional development purposes. Article 107(3)(a) TFEU allows aid to promote the economic development of outermost regions and areas where living standards are abnormally low or where serious underemployment exists, while Article 107(3)(c) TFEU allows aid to facilitate the development of certain regions where such aid does not adversely affect trading conditions to an extent contrary to the common interest.

One recent example of aid approved directly under the Treaty is the municipality of Tychy in Poland's Silesia Region, where a project to develop a green economy hub is underway as part of the region's territorial just transition. The project aims to stimulate job creation in alternative sectors, following the decommissioning of three coal mines in the region between 2028-2037 (European Commission, 2026i). However, to streamline the treatment of regional aid cases, the Commission's Guidelines set out the conditions under which regional aid may be considered compatible with the internal market and establish the criteria for identifying the areas that fulfil the conditions of Articles 107(3)(a) and (c) TFEU (the so called "assisted areas").

The current rules governing regional state aid are set out in the Guidelines on Regional State aid 2022–2027 (RAG), adopted by the Commission on 19 April 2021 and in force since 1 January 2022. The RAG specify rules for Member States to draw up regional aid maps to identify "assisted areas" and describe the conditions under which investment aid in those areas may be compatible with the Treaty. The General Block Exemption Regulation (GBER) sets out the conditions under which Member States may grant significant amounts of public aid across a wide range of projects and activities without requiring prior Commission approval. Aid that satisfies its conditions is compatible with the internal market and does not need to be notified to the Commission under Article 108 TFEU.

Evidence from the Regional Aid Framework 2014-2020 points to the overall success of regional investment aid in attracting investments to the EU's disadvantaged regions (European Commission, 2019) For example, counterfactual results from a mid-term evaluation report of investment incentives under GBER in Czechia – one of the highest state aid beneficiaries - showed positive effects of state aid on job creation (KPMG, 2018)

The Commission approved regional aid maps for the 2022-2027 period for all Member States. Both the aid intensity and territorial concentration of state aid vary to a great extent across Member States, reflecting national circumstances and policy options. Regional State aid is highest in Cohesion Fund recipient countries and southern and eastern Europe, as eligible areas are primarily determined by GDP per capita relative to the EU average.

It is important to note that the effectiveness of state aid as a cohesion tool is contingent on the regional context in which it operates. As the empirical literature reviewed in this report consistently shows (Carvalho, Mota and Pinho, 2026), aid incentives that are formally open to all regions in practice tend to concentrate in those already equipped with higher absorptive capacity, firm capabilities, and institutional infrastructure to exploit them. The design of regional state aid maps and aid intensity ceilings is therefore a necessary, but not sufficient, condition for territorial convergence ([138]).

3.1.3.2. Special Economic Zones (SEZ)

In the European Union, special economic zones (SEZs) are geographically delineated areas within the EU's customs territory designed to stimulate regional economic growth, attract investment and create jobs. Legally grounded in the Union Customs Code (UCC) under Articles 243 to 249, these zones are designated by Member States, who must communicate such designations to the European Commission. Functionally, they serve as enclaves where non-EU goods can be imported without being subject to import duties, VAT or other commercial policy measures until they are released for free circulation. To ensure a level playing field within the internal market, EU SEZs must strictly respect EU state aid rules (Articles 107 and 108 TFEU) and are often governed by the General Block Exemption Regulation (GBER). SEZs, when strategically targeted to support lagging regions, can facilitate economic development and territorial cohesion. A notable recent example is the establishment of a single SEZ in southern Italy, which has led to greater investment thanks to the administrative simplifications and tax incentives offered by the single SEZ (Millemaci, Monteforte and Mustica, 2025).

3.1.3.3. National Public Investment Programmes

Nationally funded public investment also represents a critical channel through which Member States shape territorial development outcomes. It encompasses a wide and varied array of sectoral expenditures — on transport and digital infrastructure, research and innovation, employment, human capital and skills, social inclusion, energy, environmental sustainability, and business support — which, even when not designed with explicit spatial objectives, profoundly influence the distribution of economic capabilities and opportunities across regions.

As documented in (Carvalho, Mota and Pinho, 2026) , national sectoral investment policies are typically conceived around national-wide objectives rather than explicit territorial goals. However, as the review demonstrates across six major policy domains (following the typology of (Marinelli et al., 2025)), these policies operate in domains that are crucial for regional development and are backed by substantial and long-term national budgetary commitments. The critical finding is that, even when formally place-neutral, they are rarely spatially neutral in their effects: their benefits tend to disproportionately accrue to regions that already possess better institutional infrastructure, higher firm capabilities, and the human capital needed to access and leverage them. Policies that rely on competitive allocation, centralised implementation, or excellence-based eligibility criteria tend to channel resources towards already stronger regions.

Conversely, policies that embed spatial sensitivity into design — through differentiated eligibility criteria, place-based targeting, or partnership-based implementation involving subnational actors — show greater potential to contribute to convergence, provided they are supported by sufficient institutional capacity at the regional level. For example, the Netherlands' Delta Programme, a national planning instrument for water and flood risk management, is closely coordinated with provinces, municipal councils and regional water authorities (OECD, 2024). Strategic foresight can also support more place-sensitive investment planning by helping national and regional authorities anticipate emerging

([138]) For completeness, managing authorities can and do grant State aid for co-financed measures under other provisions of the State aid framework, including in social, environmental fields and R&D.

Box 3.1.3: How to measure the additionality of funding?

If EU funds were to simply replace a Member State's own public investment instead of adding to it, EU investments would lose much of their impact as it would not result on aggregate in more growth-friendly public expenditure. Monitoring public investment in Member States is therefore critical to ensure the policy delivers results. This will be even more important in the post-2028 MFF, following the shift from a predominantly cost-based to a performance-based model.

In 2007-2013, the Commission verified additionality using a method that identified Member States' structural spending in less developed regions based on data shared by the respective countries. The approach had a number of flaws: it did not take account of economic cycles, it operated separately from the EU's economic governance framework as it was verified in isolation from the Stability and Convergence Programmes submitted by Member States, and it relied on ad-hoc indicators outside the European System of Accounts. Results were not fully comparable across countries, and the exercise consumed significant resources on both the Member States and the Commission([1]) .

As a result, the Commission proposed to reform the verification process for the 2014-2020 period, which was endorsed by co-legislators. The goal was to link additionality directly to the Stability and Growth Pact, and make verification simpler, more aligned to the economic cycle, more comparable, and less burdensome. The new process used public investment data (Gross Fixed Capital Formation) from the Stability and Convergence Programmes, ensuring results were consistent and fully comparable across Member States since they relied on Eurostat statistics. However, the COVID-19 pandemic and related measures significantly changed economic conditions in all Member States. Given these exceptional circumstances, no formal verification was carried out. No equivalent verification exists in the 2021-2027 period.

([1]) See (European Commission, 2017)

opportunities and challenges, identify future research and innovation priorities, and align investments with regional capabilities and development potential.

The interaction between EU cohesion policy investment and nationally funded sectoral investment is therefore critical. To achieve the cohesion policy objectives of promoting sustained economic growth, most notably in less developed regions, it is essential that growth-friendly expenditure does not decline. In other words, the additional contribution provided by the European cohesion policy in terms of public investment should not result in a reduction of the effort by national and subnational governments on equivalent areas. This is what additionality requires: an increase in growth-friendly public expenditure so as to maximise the impact of economic and territorial development policies on regional growth and economic, territorial and social convergence. Where national and EU-funded interventions are well-coordinated, building on complementary and mutually reinforcing logics, the combined impact on economic growth and social and territorial cohesion can substantially exceed what either could achieve alone. Where they are designed and implemented in silos or where national policies systematically favour already well-endowed regions to compensate for less EU funding, the overall territorial architecture is incoherent, and its effectiveness is correspondingly limited.

3.1.3.4. National and subnational finance and fiscal frameworks

A further category of instrument, which is analytically distinct but operationally inseparable from those above, concerns the fiscal architecture within which territorial policies are designed and implemented. Effective territorial development policies are dependent on the level of revenues and at the disposal of sub-national governments. This is examined in depth in Chapter 3.2 of this report.

3.1.3.5. National and subnational reforms

National and subnational reforms target a wide range of areas, such as the business environment and fiscal and governance arrangements. As a result, these reforms can increase the growth potential of regions by removing barriers to growth and investment. They can also increase the impact of public investments by improving their framework conditions. National and

subnational reforms work alongside the above-mentioned tools, helping to optimise delivery systems and increase local capacities. Their targeting and impact are greatly dependent on the governance structure and distribution of competencies. This is explored in more detail in Chapter 3.3.

3.1.4. The need to increase coherence between EU and national strategies for regional and urban development

In the EU, territorial policies are a well-established reality, present in various forms across all Member States. They have a significant impact on different aspects of the economy and the institutional and territorial organization of economic activities and the population.

Member States on the whole have national frameworks to pursue territorial cohesion, combining investment instruments, strategic planning and fiscal arrangements. However, there are significant challenges in these areas. While regional state aid provides a targeted tool for supporting disadvantaged areas, its effectiveness remains contingent on maintaining a long-term funding horizon and the existing regional capacities, with stronger regions often better positioned to absorb and leverage support. Similarly, nationally funded public investment, although substantial in scale, is typically designed around place-neutral objectives and tends to concentrate benefits in already well-endowed regions unless explicitly adapted to territorial needs. At the same time, national cohesion strategies are not always matched by adequate domestic investment or are closely intertwined with EU funding, limiting the development of coherent policy frameworks. Finally, other spending and non-spending policies which do not have an explicit territorial target often have a significant impact on cohesion as their impact and distribution is frequently asymmetric. Since they account for the bulk of government spending and action, compared to the relatively small part that territorial investment represents in total government expenditure, these policies can have a (frequently overlooked) substantial impact on regional development and territorial cohesion.

These challenges are compounded by the interaction between national and EU cohesion policies,. and the role of subnational governance and fiscal frameworks is one of the dimensions concerned (see Chapter 3.3).