ΕΛΛΗΝΙΚΗ ΔΗΜΟΚΡΑΤΙΑ
Υπουργείο Οικονομικών

Ευρωπαϊκό όραμα, πολιτική της Συνοχής και δίκαιη ανάπτυξη:
προκλήσεις και ανθεκτικότητα των περιφερειών σήμερα

What does the EU do?

Ευρωπαϊκό όραμα

➢ Social, economic and territorial cohesion; Social Europe

➢ Convergence, dynamism, competitiveness, growth

➢ Economic governance, completion of (G)EMU, political project

➢ Green and digital – twin and just transitions

➢ Strategic autonomy, preservation of the Single Market, including from 'unfair' competition (procurement, investment screening, …)

Πολιτική Συνοχής

➢ Regional problem – reduce disparities: incentives, relocation, extensive growth

➢ Development problem – raise competitiveness: institutions, learning, intensive growth

➢ (Entrepreneurial) discovery problem – facilitate recombination: system (info/coord) failures, cost-discovery, related variety, latent comparative/competitive advantages, smart specialisation

➢ Lasting principles
  ▪ No trade-off between equity and efficiency
  ▪ No causal link between integration and (backward) specialisation (Krugman)
  ▪ Interventions consistent with "the wider objectives of the EU" (conditionality, financing, reforms)

Πολιτική Ανάκαμψης και Ανθεκτικότητας

- Debt mutualisation – loans ('EU as stakeholder')

- National plans – national managing authorities

- Allocation on non-Cohesion principles (ROPAs etc)

- Competition/additionality, prioritising, absorptive capacity

- Divergent objectives (cohesion, discovery – vs – investments, reforms)

«Βιομηχανική» Πολιτική και πολιτικές για τη «δίδυμη μετάβαση»

- ➤ Lisbon, Europe2020, Investment Plan for Europe (EFSI/Juncker), …, NextGenEU / RRF

- ➤ Stronger Industry for Growth, Industrial Renaissance, EU Industrial Strategy, New Industrial Policy (sensitive ecosystems, industrial alliances, IPCEIs, critical raw materials, …)

- ➤ Digital Agenda, European Green Deal – twin transitions (plus Just Transition Fund)

- ➤ Link to
  - Cohesion?
  - Smart Specialisation?
 - EPRS?
  - Industrial renaissance?

What is the problem?

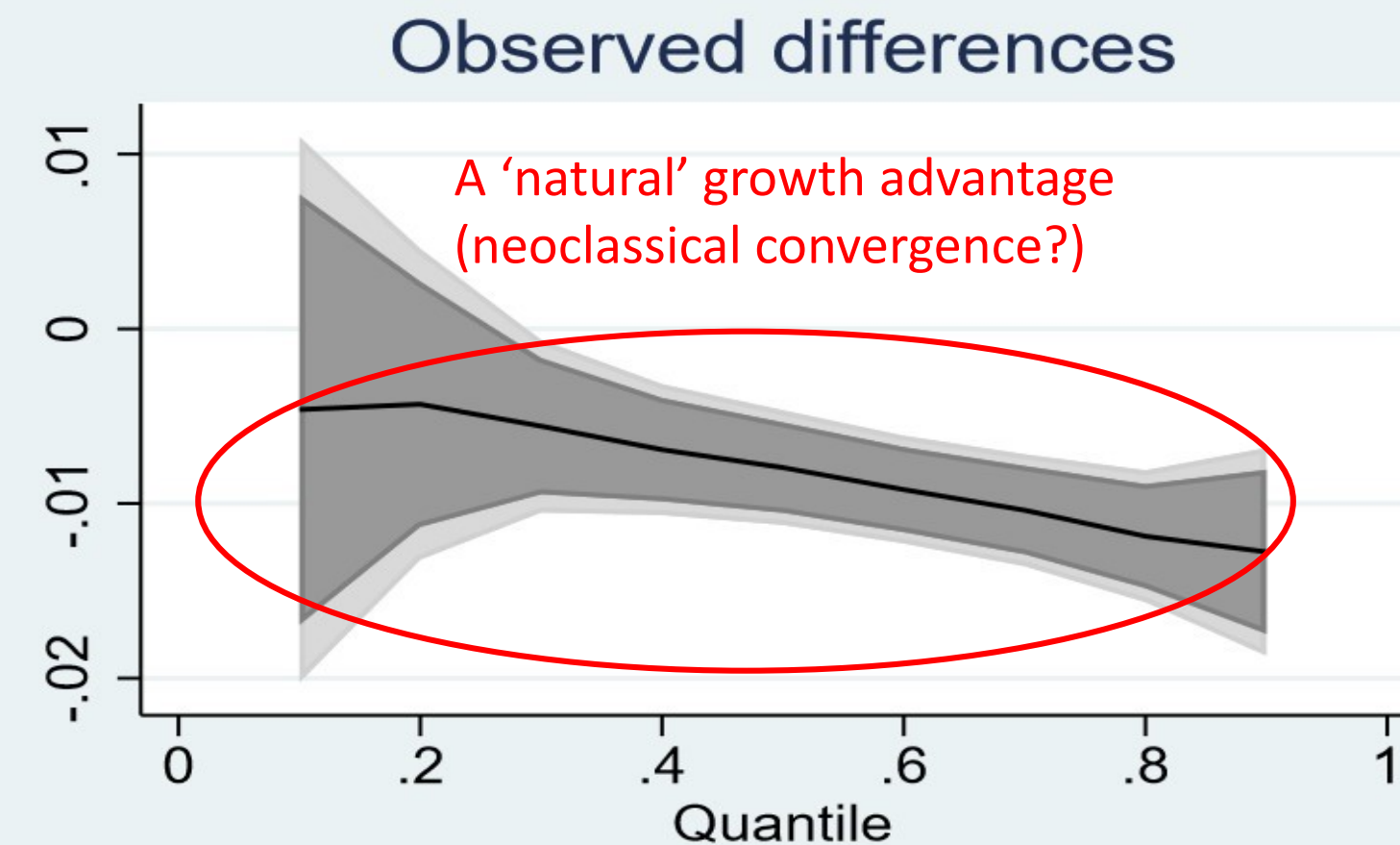# How do Cohesion regions grow? – extensive vs intensive margin

> **Growth deficits / traps due to:**
>
> > under-provision of drivers (e.g., low human capital)
> >
> > sub-optimal deployment / inability to create synergies (e.g., low returns to HC)

> Mobilisation of resources vs efficiency of resource use

> **Cooking analogy:**
> poor (or lacking) ingredients vs poor recipe or cooking skills…
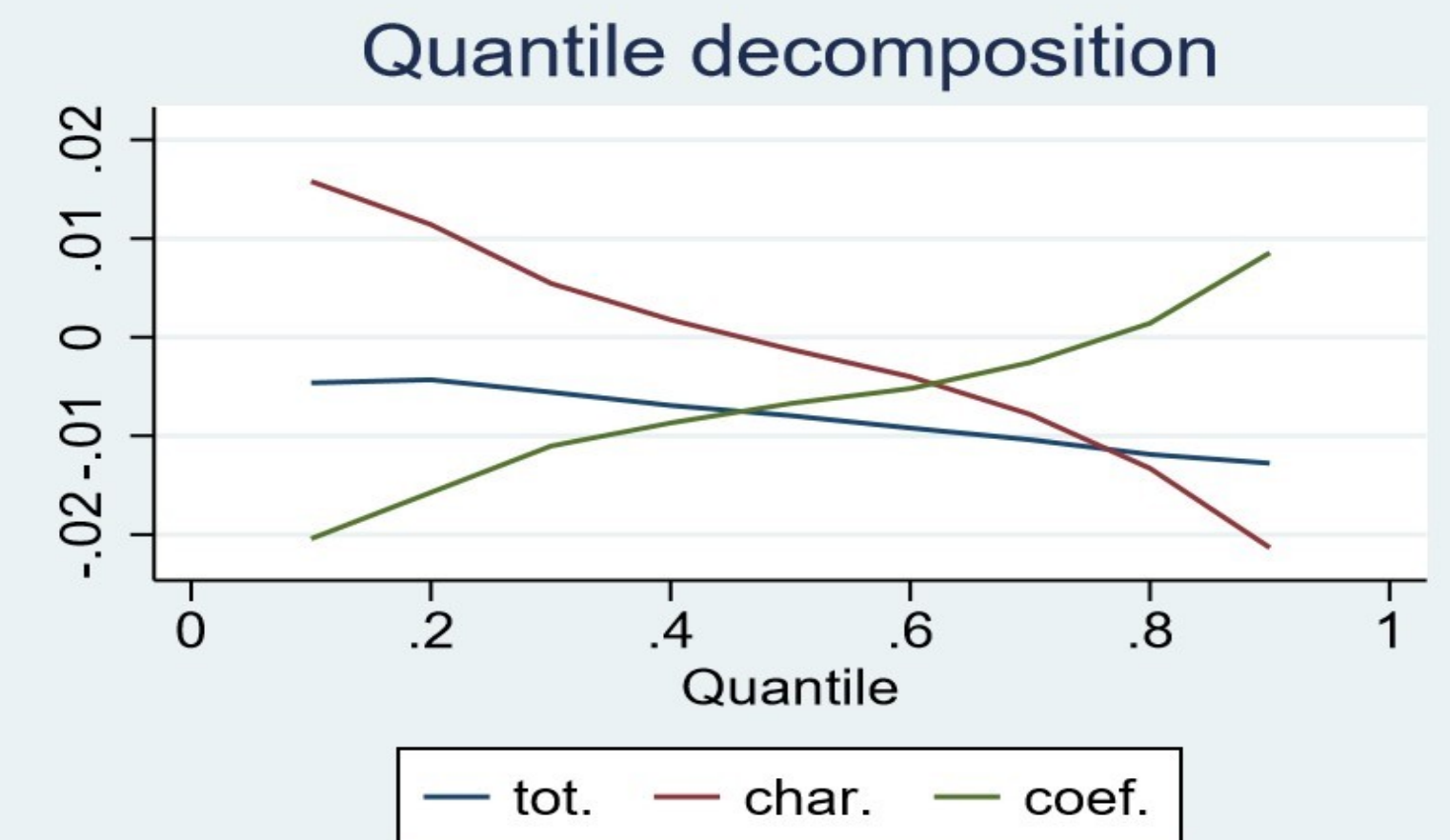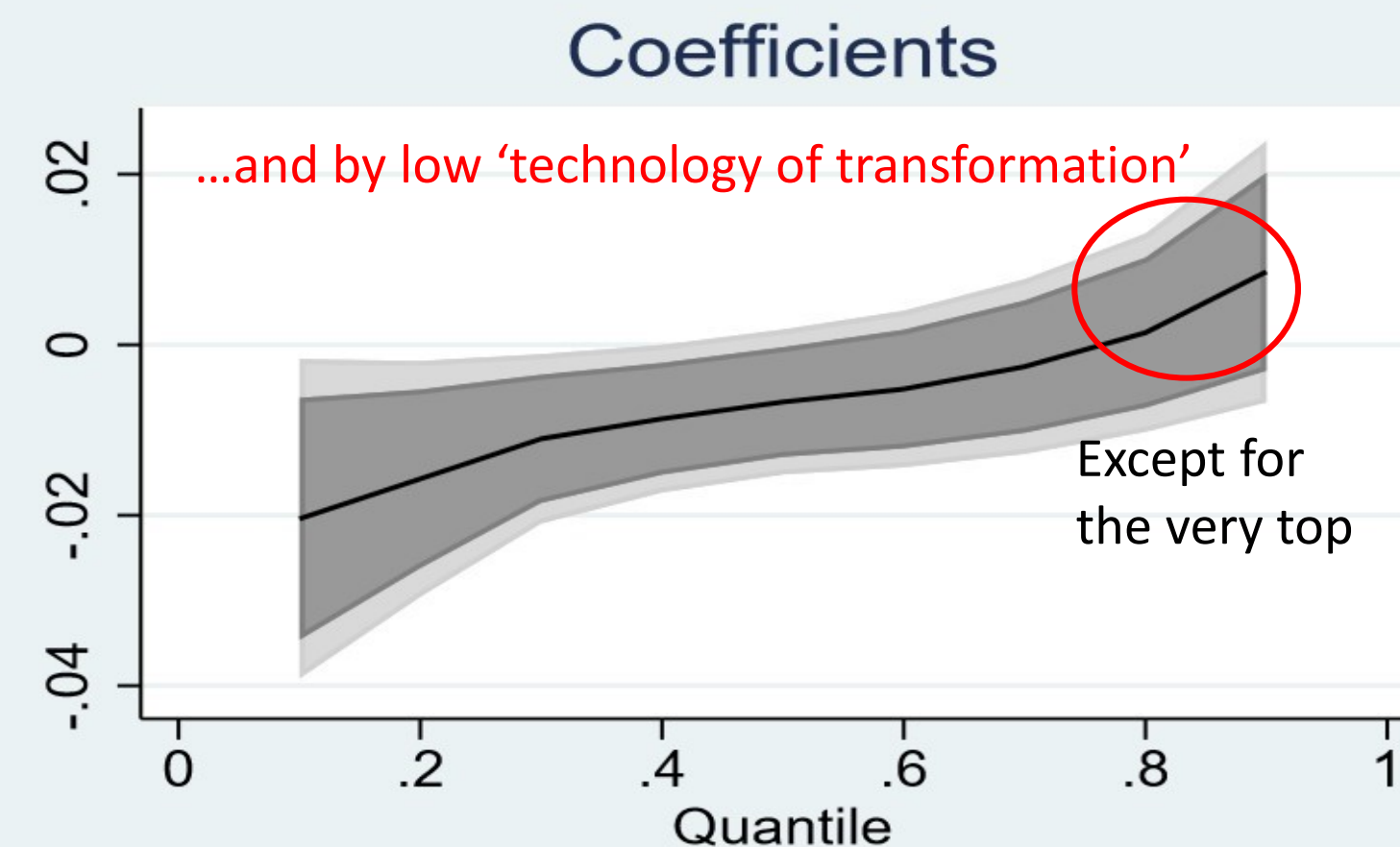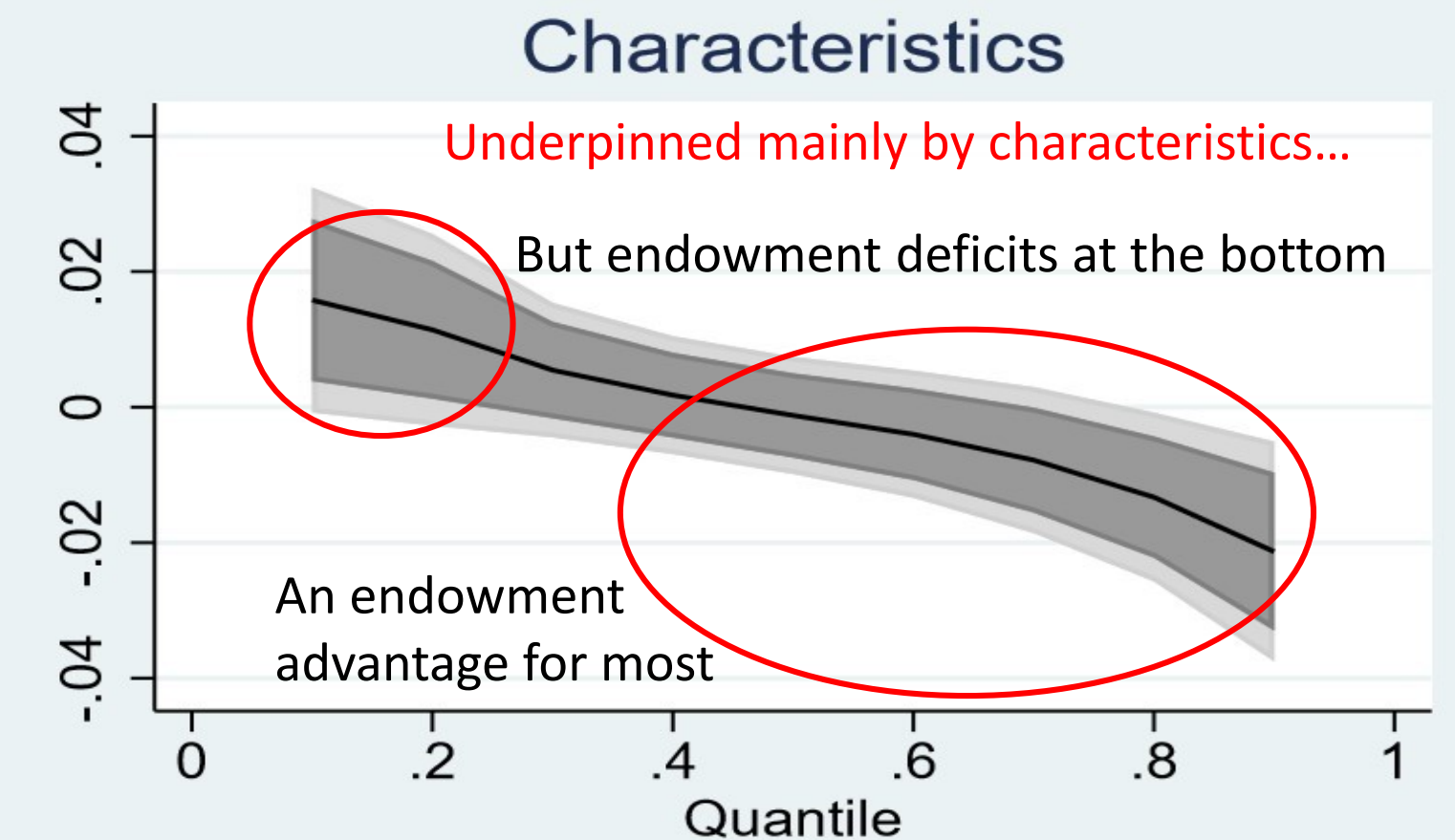
How do Cohesion regions grow? – extensive vs intensive margin

➤ **How do Cohesion regions grow?**

  ➤ A 'natural' effect: higher <u>propensity to grow</u> (a natural tendency for neoclassical convergence?)

  ➤ But <u>no significant 'shortages'</u> in capital, R&D, industrial structure, or even education and agglomeration – except at the bottom of the distribution

  ➤ Instead, <u>problem with the productivities</u>, especially post-crisis: making less from capital, labour, R&D, education, industrial structure, labour market, even from EU funds

➤ **How do non Cohesion regions grow?**

  ➤ By creating faster job expansions in areas of higher labour productivity (more & better jobs)

  ➤ By making more out of private capital (investment) public capital (EU funds) and innovation (R&D)

  ➤ By exhibiting more resilience in times of crisis (greater 'natural advantage' in those times)

Springing out of 'development traps'

➢ **Development traps**

DT1

- 0.64 – 0.94
- 0.54 – 0.64
- 0.45 – 0.54
- 0.21 – 0.45
- No data

Number of years in development trap

- (15,26]
- (10,15]
- (5,10]
- [1,5]
- No data

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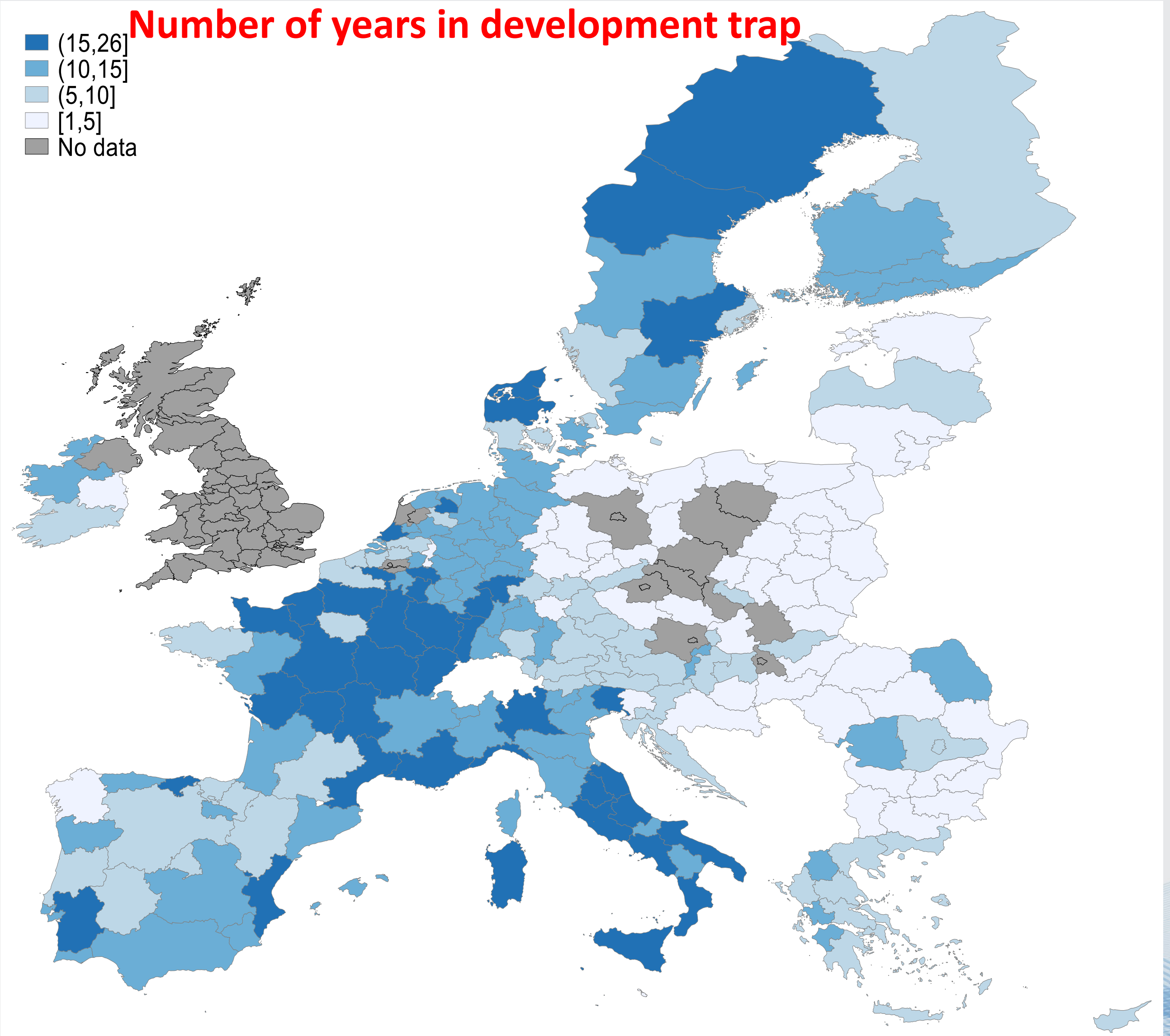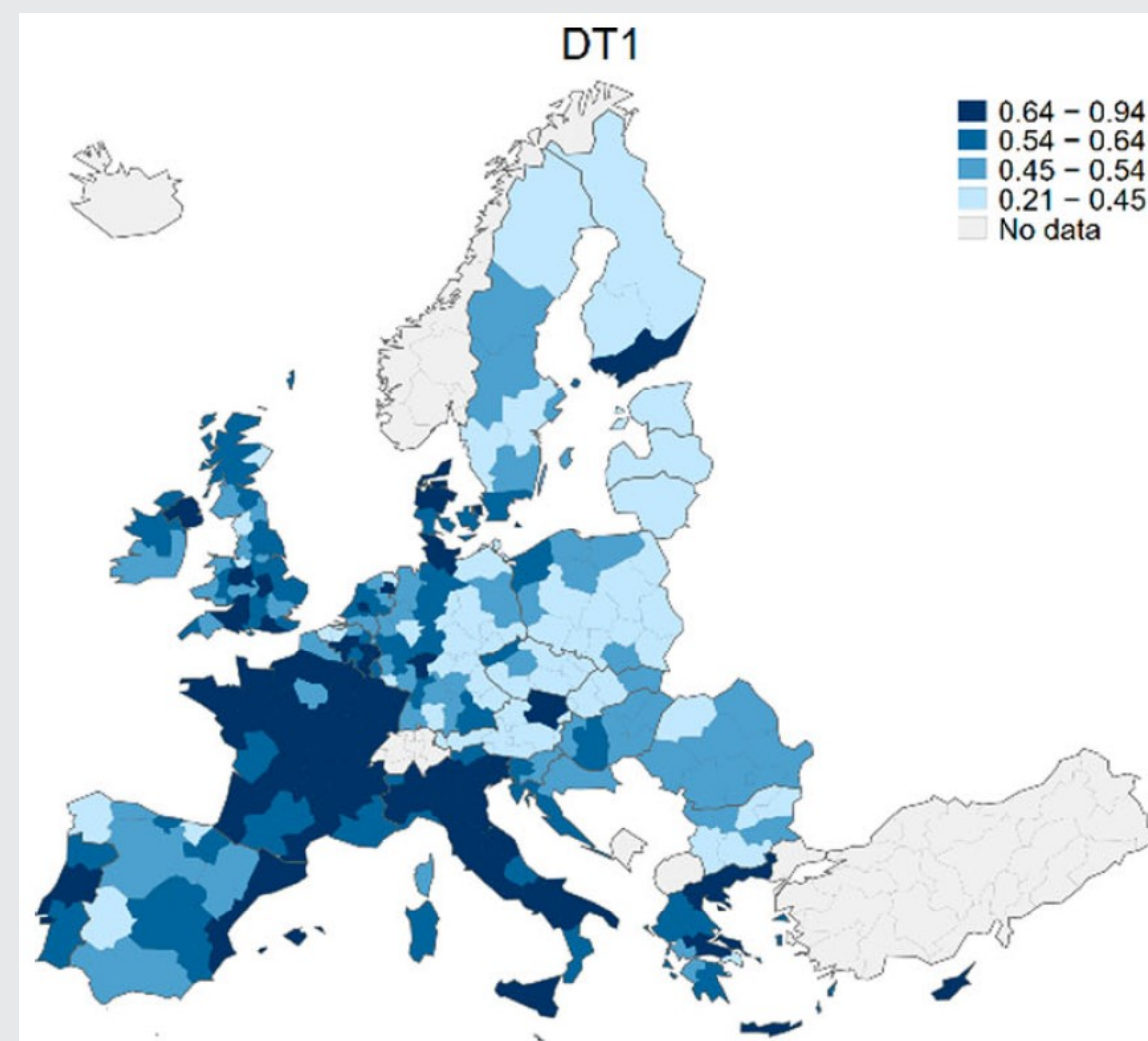
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Springing out of 'development traps'

▶ **Growth accelerations**

Count of acceleration episodes

- (1.1,3]
- [1,1.1]
- No data

Springing out of 'development traps'

➤ **Springing out**

Incidence of accelerations over time (to/from event)

Pre-trap

← In a trap for more than six consecutive years →

Transition window

Post-trap

— Share accelerating — All years — Pre-trans years
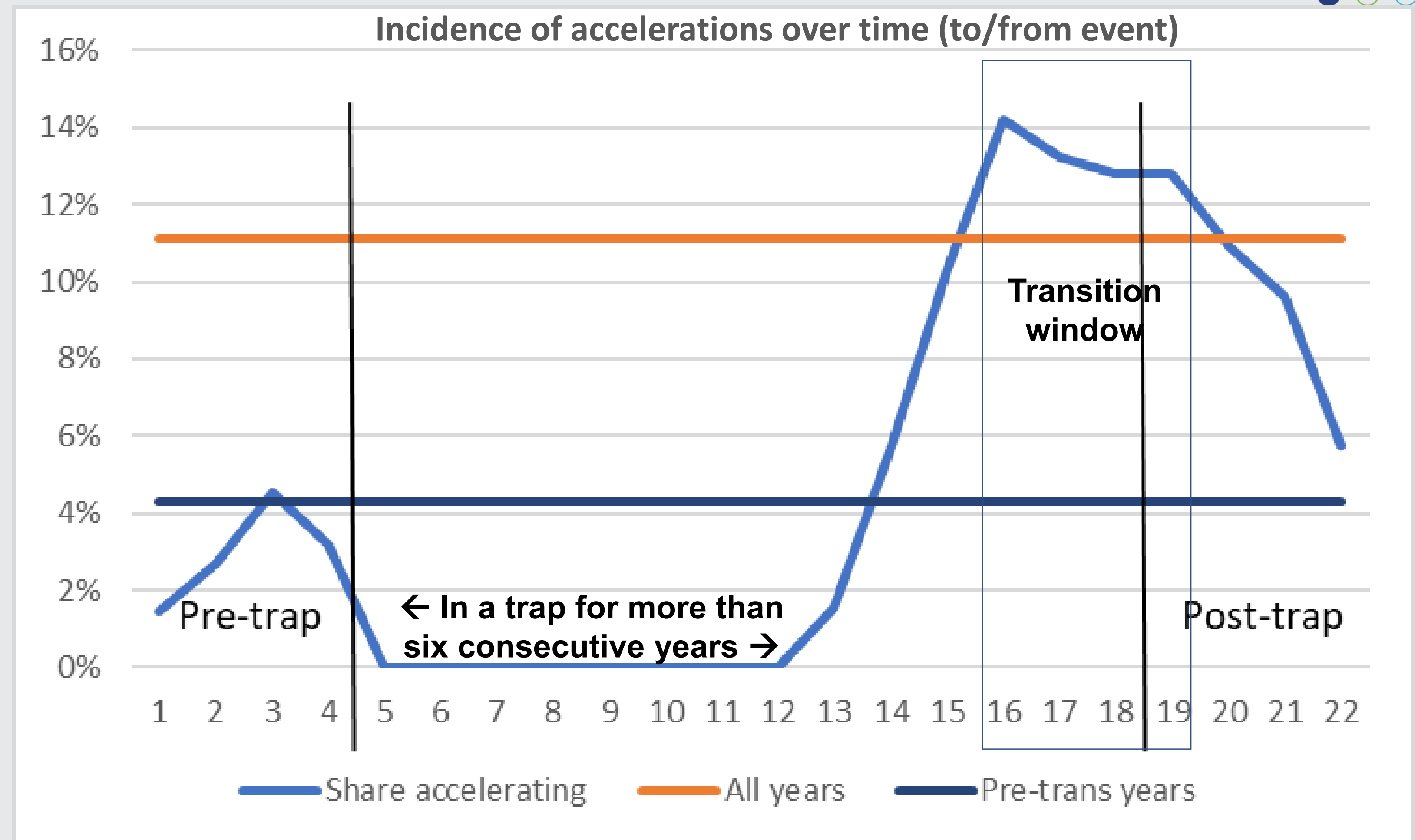
Acceleration: over the next five years, average annual growth > 3.5% and above the national average

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The importance of **alignment**

➢ **Alignment of targets and needs**

➢ *Vertical*: how dissimilar is a region's national ranking in terms of funds committed per capita to its national ranking in terms of relative need

➢ *Horizontal*: how dissimilar is the allocation of committed funds across pillars within each region to the same region's relative ranking of need, nationally, in each of five pillars

→ *Zero shows perfect alignment between regional needs and the prioritization of policy interventions; higher values show diminishing congruence*

Table 3. Misalignment between regional targets and regional needs and economic growth in UK NUTS-2 regions, 2000–13.

Dependent variable: Δln GDP per capita	(1)	(2)	(3)	(4)	(5)
Initial ln GDP per capita	−0.128***	−0.123***	−0.123***	−0.123***	−0.127***
	(0.0285)	(0.0312)	(0.0308)	(0.0310)	(0.0291)
Horizontal misalignment	−0.000945**				−0.000915**
	(0.000437)				(0.000451)
Vertical misalignment (needs based)		0.000106			0.000152
		(0.000347)			(0.000341)
Vertical misalignment (GDPpc based)			1.78e–05		
			(0.000252)		
Spending in area of specialization				−0.00194	−0.000016
				(0.00688)	(0.000028)
Objective 1 regions	0.0131**	0.0128**	0.0128**	0.0138**	0.0147**
	(0.00610)	(0.00507)	(0.00516)	(0.00522)	(0.00626)
Programming period 2007–2013	−0.0136*	−0.0133*	−0.0131*	−0.0132*	−0.0145**
	(0.00675)	(0.00717)	(0.00702)	(0.00694)	(0.00695)
Controls	✓	✓	✓	✓	✓
Region dummies	✓	✓	✓	✓	✓
LM lag	0.3775	0.3202	0.3212	0.2510	0.2622
	(0.539)	(0.572)	(0.571)	(0.616)	(0.609)
LM error	1.0925	0.7320	1.1500	0.6222	0.5439
	(0.296)	(0.392)	(0.284)	(0.430)	(0.461)
VIF statistic (overall)	1.88	2.12	1.93	2.03	2.18
Observations	74	74	74	74	74
R^2	0.979	0.976	0.976	0.976	0.979
NUTS-2 regions	37	37	37	37	37

Notes: Clustered standard errors at the NUTS-2 level are shown in parentheses. LM, Lagrange multiplier; VIF, variance inflation factor. Results of column (5) displaying the coefficients of control variables are reported in Table A8 in Appendix A in the supplemental data online.
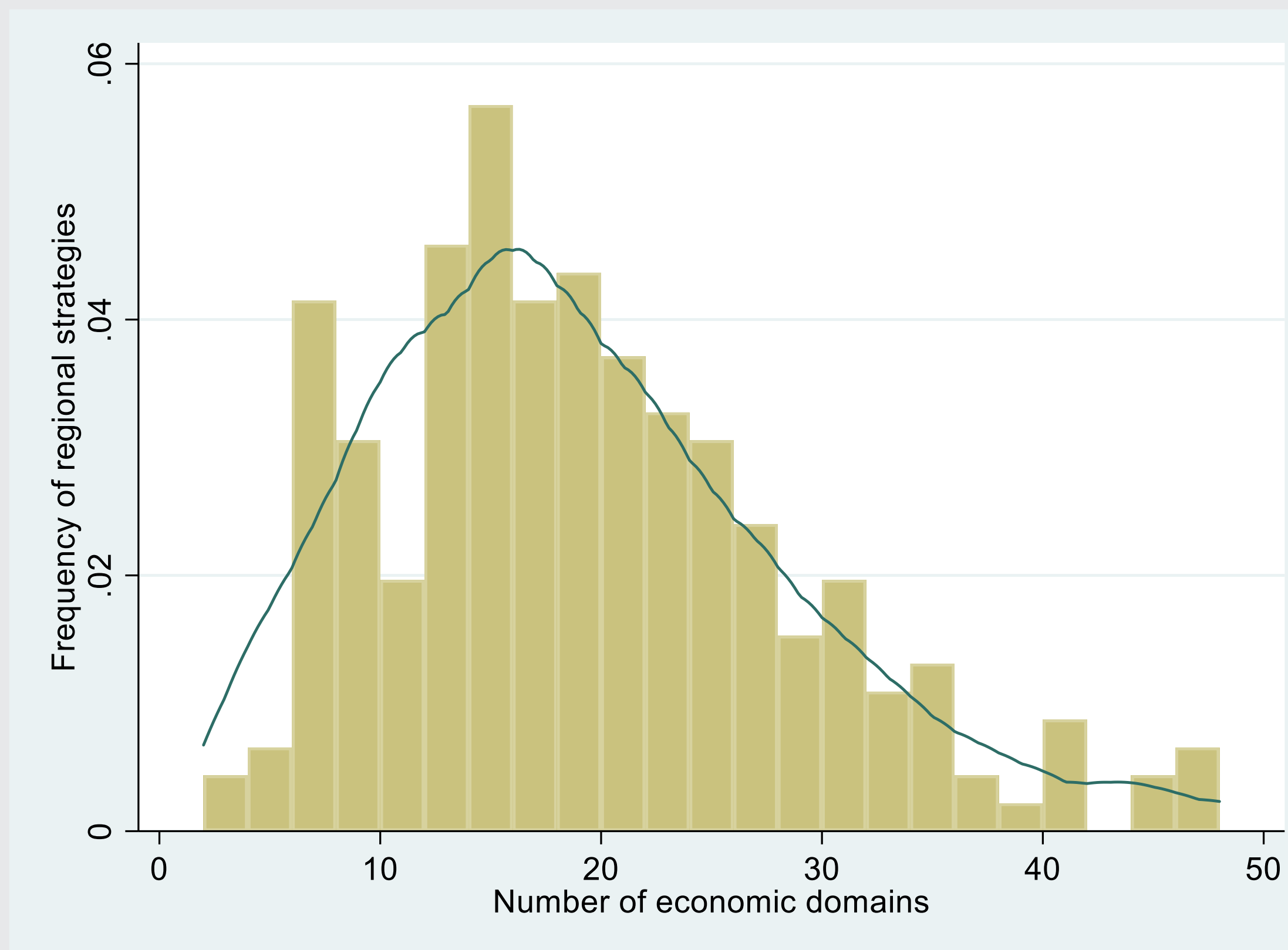***$p < 0.01$; **$p < 0.05$; *$p < 0.1$.

The importance of smartness

➤ **'Dumb' specialisation?**

➤ *Proliferation of objectives*

➤ *Similar specialisations across space*

➤ *S3 strategies loosely connected to the characteristics of regions*

➤ *S3 strategies to a large extent mimic what neighbouring areas are doing*

Figure. Distribution of the incidence of economic domains across strategies

The importance of **smartness**

➤ 'Dump' specialisation?

Table. Top-10 domains and policy objectives across S3 strategies in the EU

Economic domains			Scientific domains			Policy objectives		
Name	Strategies	Share	Name	Strategies	Share	Name	Strategies	Share
Information service activities	169	0.69	Health promotion	164	0.67	Public health & wellbeing	176	0.72
Computer programming, consultancy and related activities	167	0.68	Medical sciences	157	0.64	Sustainable energy & renewables	156	0.64
Human health activities	164	0.67	Renewable energy sources	149	0.61	Advanced manufacturing systems	138	0.57
Electricity, gas, steam and air conditioning supply	155	0.64	Mathematics, computer and information sciences	148	0.61	Advanced materials	131	0.54
Scientific research and development	137	0.56	Energy production and distribution efficiency	147	0.60	Development of regional cultural & creative industries	116	0.48
Crop and animal production, hunting and related service activities	132	0.54	Food productivity and technology	145	0.59	e-Health (e.g. healthy ageing)	113	0.46
Food products	129	0.53	Improving industrial production and technology	143	0.59	Resource efficiency	107	0.44
Machinery and equipment	127	0.52	Public health services	140	0.57	Industrial biotechnology	107	0.44
Other professional, scientific and technical activities	126	0.52	Energy efficiency - consumption	137	0.56	Eco-innovations	106	0.43
Telecommunications	116	0.48	Engineering Sciences	136	0.56	Sustainable agriculture	101	0.41

Spatial disparities Greece

➤ **Persistence, dependence, inequality**

GDP per capita, 2019

25.80861 - 34.69343
22.53453 - 25.80861
20.81019 - 22.53453
19.61814 - 20.81019
18.42974 - 19.61814

1.46 - 1.63
.95999998 - 1.46
.72000003 - .95999998
.43000001 - .72000003
.23 - .43000001
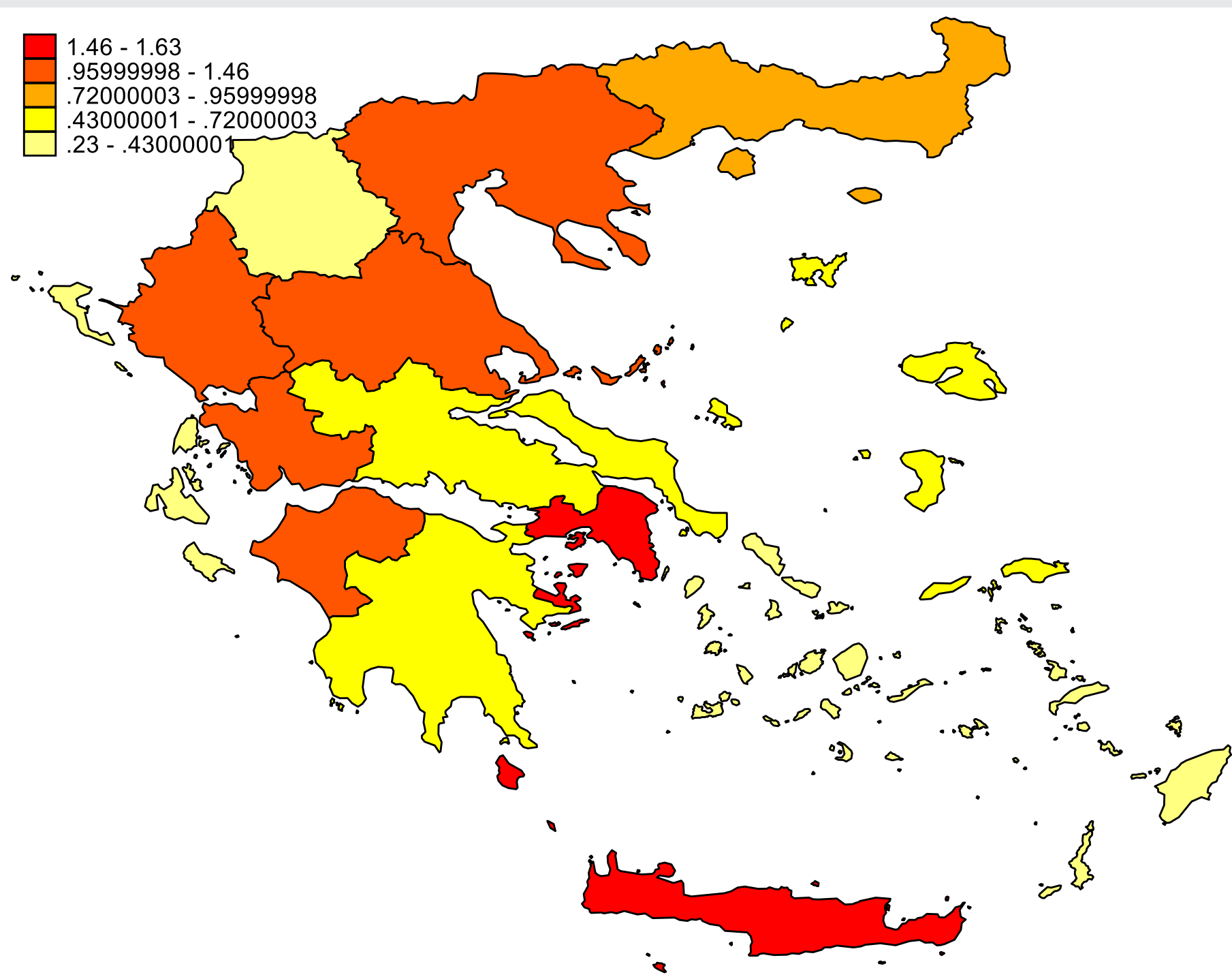
Total R&D per capita, 2019

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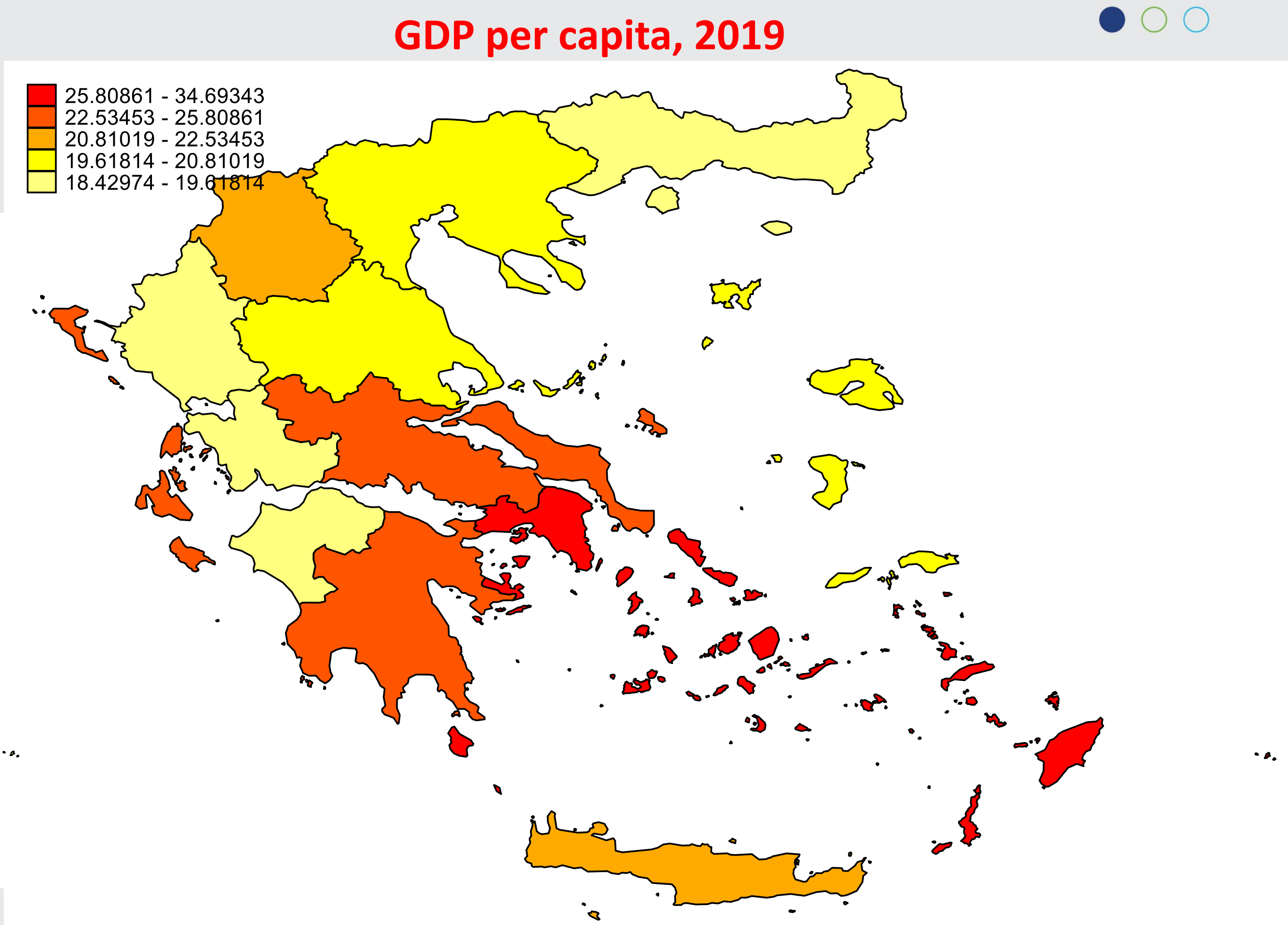
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What is to be done?

What is to be done?

➢ **Thinking forward – policy priorities post-2027**

➢ Importance of needs-targeting: more 'smartness'; attention to needs, not only to assets

➢ Importance of policy alignment: green & digital;   smart, cost-discovery, recombination; sensitive sectors/ecosystems, patterns of association (supply chains)

➢ Importance of policy instruments: loans & quasi-equity (shareholder); *smart* conditionality

➢ Importance of policy continuity: continuity of budget; continuity of Cohesion as the "main investment pillar"; continuity of "place-based" as the main instrument for entrepreneurial discovery and territorial cohesion

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