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**REGIONALITY IN THE COHESION POLICY OF
THE EUROPEAN UNION**

Fund allocation dilemmas in the light of the specific situation of capital regions

THESIS SUMMARY

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I. RESEARCH BACKGROUND AND JUSTIFICATION

Although the Treaty of Rome, which established the European Economic Community, did not treat cohesion policy as a priority topic, from the 1970s the successive rounds of enlargement increasingly required the Community-level regulation and policy mechanisms in the field of development policy. Integration thus initially aimed to reduce the development differences between and within the Member States. It is just that, over time, cohesion policy has become crucial not only because of the growing number of Member States, but also because of the globalisation and the increasing international competition. As a result, since the 2000s, the objectives have been significantly adapted and broadened with a shift towards competitiveness at Community level to achieve the goals of the Lisbon Strategy and the Europe 2020 Strategy. Not least the first experience of enlargement in Central and Eastern Europe and to more recent global challenges, the set of objectives has been extended to include additional areas of intervention such as tackling corruption, combating climate change, promoting digitalisation or handle migration. At the same time, the funds allocated for the cohesion policy have now multiplied, thus the resources for achieving the policy's objectives are representing the largest share within the European Union budget by now.

The initial questions on which the dissertation is based were formulated in the context of the expansion and transformation of priorities in recent decades. The duality of cohesion and competitiveness is one of the recent challenges of cohesion policy, which has been widely examined in the literature, especially in the last two decades. Focusing on this broad research topic, our interest has thus been turned to the mechanisms of cohesion policy: whether the fund allocation and usage at the Member State level responds adequately to the transformation of objectives at the Community level. Based on the thematic assumptions, two important aspects of the research have been the territorial dimension of the resource allocation mechanism and the role of absorption capacity. On the one hand, the regions of the European Union are still created according to the territorial nomenclature (NUTS) methodology developed by Eurostat in the 1970s, and the allocation of resources is based on the development of these (NUTS 2 level) regions. However, the formation of these regions is in the competence of the Member States. That is why there are a number of practices, while the relevant EU directives can only be considered as recommendations. Thus, although the economic, social and societal unity, the homogeneity and the existence of an appropriate institutional environment are key factors, there are lot of regions characterised by high heterogeneity.

These regions – such as those containing the capital of a country – have a risk that the distorted allocation and absorption of funds between smaller territorial units and the insufficient volume of available resources will not only help to increase convergence and competitiveness, but will also lead to the marginalisation of these deprived small regions. The issue is also relevant for the Hungarian government, thus Pest county had fallen out of a significant amount of subsidies due to the high level of development in Central Hungary, which also had resulted disadvantages compared to counties with similar development in the lagging regions. In order to reverse this negative trend and to make resources available that are appropriate to the county's level of development, Pest and Budapest had been split thus Pest had been finally listed as a less developed region from 2021 in the list of the NUTS 2 regions. However it is legitimate to ask, what kind of problems the previous years have caused in the county. The focus of the doctoral research was also largely oriented by these research questions.

The regional classification system is therefore crucial for the allocation of resources, but it is also worth paying attention to the absorption capacity. The absorption rate is the percentage of the total funds available for the Member States that they are able to absorb in a certain budgetary period. The European Commission examines the use of funding granted under the responsibility of the Member State in the context of ex-post evaluation and can withhold payments and impose other sanctions if it detects irregularities or other problems. The absorption rate is therefore the ratio between the amount of funds approved and the amount actually paid out of the total available budget. In theory, a Member State may not be able to absorb the full amount available. There may be inadequate absorption processes or institutional capacity, or a lack of good applicants or project proposals. However, because of the possible political consequences, a Member State cannot essentially afford not to use the amount available. This inevitably works against efficient and beneficial use of funds, but can also shift Member State practices towards annuity hunting and fund dependency.

Based on the above circumstances, on the one hand, it was necessary to examine the extent to which the regional allocation mechanism can provide adequate and efficient responses in the light of the policy's objectives. Do funds allocated on the basis of the level of NUTS 2 regions' development – GDP per capita at purchasing power parity (PPP) compared to the EU average – contribute most efficiently, effectively and usefully to convergence between regions and to the increasing competitiveness at Member State level? Or is it the abundance of less developed regions that forces inefficient use, leading to the funding of unsustainable or unnecessary programmes and projects? Would the objectives of cohesion policy not be better

served if the fund allocation mechanisms also considered other aspects in the regions concerned? But even if we assume that the criteria for a meaningful use of the funds allocated to the regions are given, absorption „pressure” can also be seen as a policy constraint on effective use, so that the regional dimension of the phenomenon should also be examined. Indeed, in addition to regionally distorted fund allocation, the funding of projects that are unnecessarily subsidised in order to increase absorption capacity may also jeopardise the efficient allocation of resources between regions and thus the efficient, effective and beneficial use of development funds. These issues have already addressed in the literature and by the policy context, however it can be explored by examining the most recent data to draw new conclusions.

In summary, the dissertation examines, mainly on the basis of Hungary's resource use practices between 2007 and 2020, especially for economic development purposes, whether it would be advisable to use certain programmes and resources in more developed regions rather than spending them in the lagging ones in an inefficient or unhelpful way in order to achieve the objectives of cohesion policy. We also look at how the European Union could encourage and induce more effective use of resources. Based on the results of secondary data analysis and empirical exploratory work, we also propose a new set of criteria that could be taken into account within the fund allocation mechanism (the absorption potential and performance of individual regions).

II. RESEARCH METHODS

The aim of the research was to explore and analyse the regional aspects of cohesion policy, paying special attention to the specific situation of regions including the capital. As the literature on this issue is rich and diverse, the examined topic was defined and the research was conducted after a thorough literature review. In addition to exploring the literature, policy documents and relevant legislation on cohesion policy were also examined. The following hypotheses were then empirically supported by primary and secondary data analysis.

The research was based on the approach that the topic can be examined in a novel way primarily on the basis of the experience of Hungary's economic development funds usage between 2007 and 2020. To this end, we started from a macro-level, document-based analysis of the EU-level targeting and regulatory system to identify the constraints to regional fund allocation, which we further explored through national and regional practices. Finally, the research also explored novel methodological approaches by analysing the absorption capacities of regions and counties.

The dissertation thus aimed to test the following hypotheses.

1A. The fund allocation mechanism of cohesion policy has not evolved in line with the expansion of policy objectives and priorities.

1B The NUTS-based fund allocation mechanism of cohesion policy does not adequately serve the policy objectives.

The first pair of hypotheses examined whether the regional resource allocation mechanism of cohesion policy sufficiently supports the catching-up of lagging regions and, at the same time, the European competitiveness. The historical allocation and use of funds at Member State level, as well as the evolution and change in the structure of the regions, were also reviewed and analysed. The first pair of hypotheses was thus examined using a deductive methodological approach, mainly through the processing of secondary data and policy documents. It is hypothesised that the two factors – priorities and fund allocation – have evolved at different qualities and speeds during the evolution of the policy, which consequently undermines the effectiveness and utility of cohesion policy, pushing Member States and programme implementers towards the enforcement of regularity and efficiency.

The limitations of the regionally-based fund allocation mechanism have been a concern for EU policy-makers in recent years, as well as in the literature. Thus, the methodology has included an examination of the findings of two expert documents, the Sapir and Barca reports, on the allocation mechanism and the testing on indicators in relation to the Central and Eastern European regions.

2A. In a heterogeneous region including the capital of a Member State, the main beneficiary of the fund usage is the capital and its surrounding area.

2B. The absorption by the capitals contributes to the divergence of rural areas in these regions.

The second hypothesis, which is divided into two parts, was designed to examine the challenges that internal heterogeneity and development differences cause for regions including capital cities. For the second pair of hypotheses, an inductive approach was used with primary and secondary data analysis. First it was necessary to define the scope of the regions and then to examine their fund use and economic data. The analysis then shows, through the specific situation of Central Hungary and the economic development programmes available in the region, the distorted resource use practices of heterogeneous regions and the disadvantage of less developed subregions within the region compared to more developed areas. The analysis is then followed by an evaluation of fact-based resource use and statistical data. The analysis focuses on the allocation and use of funds between 2014 and 2020, which gives the topic a new dimension, as the experience of this cycle has not been explored in any meaningful way so far. In addition to the data on funding, information of company databases and primary data collection will be used to review the negative impacts and consequences on less developed regions (some districts of Pest County), as a quantitative, questionnaire-based, representative survey with small and medium-sized enterprises in Pest County was also carried out.

3. The efficiency of resource use can be increased by taking into account the absorption capacity at regional level.

For the third hypothesis, we analysed national and regional data on fund allocation and use to see whether the assumption that Member States tend to focus on regularity and efficiency rather than on effectiveness and usefulness in order to fully absorb their available budget can

be justified. This hypothesis is based on an approach which expresses the absorption of a given region or area in terms of its absorption capacity, its existing absorption performance and its potential in terms of its socio-economic potential. By examining local absorption, an approach is proposed as a novel element of the dissertation, which focuses on the assessment of funding performance and potential in several dimensions. The indicator can be interpreted in the context of a number of policy areas – jobs, R&D, society, infrastructure etc. – but in relation to the economic development focus, the dissertation analyses R&D interventions. Absorption potential is examined on the basis of the stakeholders in the area and the qualitative and quantitative characteristics of the development that has taken place.

Cohesion policy is a dynamically changing policy and its analysis requires a specific research approach. The broad formulation of the sub-objectives was also intended to identify areas of research that could serve as a basis for a new, forward-looking rethinking of cohesion policy by analysing the experience of different budgetary periods and the use of funds. The next stages of EU enlargement on the Balkans will be another major challenge for cohesion policy, making a review of the policy's mechanisms all the more relevant.

The specific outcome of the research is, on the one hand, to assess the evolution of the policy by analysing the historical development of regional fund allocation and to identify opportunities for revising the allocation methodology. Based on Hungary's performance in the funding of economic development in the period 2014-2020, the research has also demonstrated an important drawback of regional resource allocation, namely the negative effects on rural areas of heterogeneous yet more developed regions including the capital, in particular the fund absorption and distortionary power of it. Last but not least, the research has not only substantiated the above phenomena, but has also examined concrete suggestions for the restructuring of resource allocation mechanisms, namely by including and testing absorption as a key factor.

The first pair of hypotheses was the subject of a basically descriptive literature and documentary analysis, of limited novelty, which provided the policy and conceptual context for the further research. While the hypothesis was examined in the light of previous policy proposals for the renewal of fund allocation, which were not or not fully implemented, the dissertation focused on the Hungarian processes in the light of the historical transformation of European regulation, priorities and mechanisms.

The literature on the topic addressed by the second pair of hypotheses is very rich, so the novelty in this case was the inclusion of the Hungarian funding practices in 2014-2020. It is important however, that at the time of the conclusion of the research, we did not have complete data on the use of economic development funds, given that the financial closure of the previous budgetary period will only take place in 2023.

A further limitation of the hypothesis-testing is the availability of complete but limited depth of funding data, which had to be addressed by careful selection of those included in the analysis. For this reason, the study focused primarily on interventions in the operational programmes for economic development. A further limitation of the data analyses was the lack of structured data on the use of funds in other Member States in a publicly available, coherent database. Thus, international comparisons were mainly based on changes of macroeconomic data across regions. Furthermore, the primary data collection for the hypotheses testing cannot be considered representative due to the methodological and spatial concentration of it, thus the results have been assessed and interpreted with these limitations.

With regard to the third hypothesis, the main additional limitation of the research was related to the completeness and testability of the composite indicator constructed. The lack of availability of international data and the capacity constraints resulting from the scope of the doctoral research meant that no specific indicator could be created. However, the main objective of including the topic in the doctoral research was to investigate the usability of absorption as an allocation criterion, which could also raise questions and directions for future research.

III. SCIENTIFIC RESULTS

In the dissertation, we aimed to answer the question: why and for what reasons the European Union's cohesion policy gives priority to statistical regions when assessing the development of regions, and even more so when determining eligibility for funds. In the framework of the hypotheses outlined in the previous section, we first of all synthesised the basic data on the statistical regions of the European Union to illustrate the great heterogeneity of regional structures and the significant territorial differences. Then we pointed out the fund allocation benefits that could be realised through the restructuring of the regions, and, from another point of view, the statistical effects of the enlargement of integration that could have a negative impact on certain regions. By reassessing the reform ideas of the 2000s, we have argued for the validity of those ideas in relation with fund allocation. By providing a historical overview of the situation and development trajectory of Hungarian regions, we also highlighted the problem of increasing internal territorial disparities. Through the practical experience of economic development programmes, we have shown the importance of EU funds for the development of the Hungarian economy and the increasing disparities between the less developed and more developed regions in terms of access to funds over the budgetary periods. Then we examined the practice in Central Hungary from several aspects to show that less developed subregions within a more developed region can indeed suffer from lacking EU funds. Finally, we proposed to take absorption into account as a possible criterion in the evaluation of fund allocation and usage. In this context, the main findings and conclusions of the thesis are as follows.

After exploring the theoretical background, it can be stated that until the 1990s we could not talk about meaningful significance of regionality, the spatial approach was only spreaded by the emergence of the new economic geography. However, **the geography of interventions is clearly a decisive element in the interpretation of socio-economic phenomena, and thus also in the success of cohesion policy.** Regional processes can be understood in two main dimensions, taking into account the changing objectives of cohesion policy. On the one hand, cohesion, or convergence, reflects a reduction in territorial disparities and inequalities, as opposed to divergence, which is characterised by an increase in territorial disparities. On the other hand, the issue of the competitiveness of countries has become one of the dominant themes in mainstream economics over the last three to four decades, with the advance of globalisation, although its definition at the level of national economies remains a complex issue.

But in the case of cohesion policy, the analysis of processes at regional level is also crucial, since the available funds have their primary impact at regional level. However, there is also a duality: **although convergence between Member States is taking place, disparities between regions have increased in the recent decades.**

There have been many discussions on the reform of cohesion policy, especially in the early 2000s. One of these was the Barca Report, led by economist Fabrizio Barca, which took a comprehensive overview at the state of cohesion policy and made suggestions for its reform, with an emphasis on a regional approach. The report and its findings are still relevant today in analysing the regional dimension of cohesion policy and identifying its problems. Similarly relevant findings were also made in a report by the Belgian economist André Sapir a few years earlier (Sapir Report). These two policy background papers have been processed in the context of this dissertation, and the relevant findings are as follows.

The most important finding of the Sapir report is that cohesion policy needs to be rethought at EU and Member State level, and at the same time priorities should be reduced and simplified. The main reason is that some regions of the European Union are not developing in an uniform way and pace. The experts who drafted the report argued that, in order to make cohesion policy more effective, funds should be allocated to Member States without regional restrictions, so that they can decide how they are using it in each region, of course in partnership and under supervision. On the basis of the methodology underlying the findings, we have examined the trends in convergence over the 2000s and found that the phenomena identified in the report remains valid. In other words, **while the new Member States and the beneficiary countries of cohesion funding are successfully catching up with the European average development level, but significant differences in performance between regions can still be identified.**

Another key documents in the rethinking of cohesion policy was the report called "The Agenda for Cohesion Policy Reform" and published by Italian economist Fabrizio Barca in 2009. The basic thesis was that cohesion policy must necessarily remain one of the main policies of the Union, but that it also needs to be renewed at systemic level. Its main message is that central coordination and a territorial approach based on statistical regions need to be replaced by a more flexible, challenge-oriented, decentralised and "locally based" development policy. One of the main reasons for this is the tension between reducing inequalities (or cohesion) and increasing efficiency (or competitiveness), and the need for thematic and resource concentration for those reasons.

The Barca report sought to substantiate the expert paper's findings on a number of indicators, including an analysis of two main indicators for the regions – GDP per capita and productivity. In the dissertation, we compared the changes in the development of European regions relative to the EU average from 2005 to 2019 and came to similar conclusions to those previously reported. On the one hand, **the performance of metropolitan regions over the period under review is outstanding across all regions** – although the biggest rise was achieved by a region that is not a metropolitan region and was already considered developed in 2005 (Southern Ireland). However, **some of the regions of other three PIGS countries, Greece, Italy and Spain, which are the main beneficiaries of cohesion policy, have also seen significant declines over the period.** Our results confirm the validity of questions about the adequacy and effectiveness of current cohesion policy mechanisms. Then we examined the regions in six Central and Eastern European countries which either comprise the capital of the country as a region or the capital and the surrounding rural area together. The practice of Member States can be characterised by two types of solution: treating capitals as separate regions and creating larger territorial units including the capital. Our results show that **the gap in development between metropolitan and rural areas increased slightly between 2004 and 2018.** In other words, the challenges identified in the Barca report are still valid in the European Union and its regions, and the suggestions made in the report could provide further guidance for a possible upcoming regulation and renewal of cohesion policy.

On the basis of the first pair of hypotheses, we have come to the conclusion that the **fund allocation mechanism of cohesion policy has indeed not evolved in line with the cohesion policy, which has been significantly transformed in recent decades, and which has expanded in terms of its objectives, volume and significance in the overall integration process.** It is still largely determined by the administrative decisions taken by the Member States, which based on an inconsistent set of criteria, the boundaries and development levels of NUTS 2 regions. Moreover, **since territorial convergence is not achieved at regional level, it is not really possible to say whether the cohesion objective is being met in terms of policy.** However, the GDP per capita indicator does not provide sufficient information to classify the situation of a region. Thus, in order to support this argument, the doctoral research also examined the differences in the domestic EU funding data between 2007-2013 and 2014-2020. On the other hand, we analysed the situation of Central Hungary and Pest County through the actions in one of the key areas of internal development differences – it is the state of the economy and economic development.

Based on the data of the budgetary periods, while the volume of funds available under the sectoral operational programme for economic development increased significantly, the volume of resources available in Central Hungary decreased. Meanwhile the volume of funds allocated under the regional operational programme of the central region in the last period decreased by more than half compared to the previous one. Nevertheless, the experience of the budget cycles under review (2004-2006, 2007-2013, 2014-2020) suggests that **Budapest has, on the whole, benefited more from being part of the Central Hungary region until 2020.** While the level of development already exceeded the eligibility level at the time of accession – 75% of the EU average GDP per capita at purchasing power parity – it had almost full access to cohesion policy funds until 2010. In contrast, in terms of absolute and specific funding, Pest county's absorption capacity was only offset by Budapest's absorption capacity in the post-2014 period due to a reduction in resources and scope, and its funding in the two previous cycles was well below that of the capital. But Pest County is not only disadvantaged in access to funds compared to Budapest, but also compared to the rest of the country. The level of funding per capita in Pest County was by far the lowest in both budget periods examined.

The availability of funds in Central Hungary was therefore gradually decreasing, which put Pest County in an unfavourable position within the region. However, it can also be seen that Pest County has performed poorly in terms of the specific amount of funds allocated in each period in a county-wide comparison. For this reason, we also examined the allocation experience within the county. This question was answered through an analysis of the allocation of resources under an proper call for SMEs. The data showed that the absolute value of the grants awarded was evenly distributed between Budapest and Pest County, which means that Pest County was dominant by the per capita indicator. But if we compare the total amount of funds allocated with the development of the smaller territorial units, we can conclude that **there is a medium explanatory relationship between the level of development of the districts and the amount of funds awarded, and that the districts receiving the most funds are indeed the more developed areas of Pest County.** When looking at the specific data by population size, the relationship remains, although the explanatory power is lower compared to the absolute amounts of funds. However, if the funds granted in the districts is examined in relation to the number of micro, small and medium-sized enterprises operating there, the explanatory power disappears and a completely even distribution of resources is observed between them.

After comparing the data of the districts, we examined the phenomena and processes in the Cegléd district. On the one hand, we analysed the business data of twenty to twenty district

enterprises that won and did not win EU funding in a control group analysis. On the other hand, a survey was carried out among more than eighty entrepreneurs to gather qualitative information. The aim of the control group study was to analyse the performance of enterprises in the Cegléd district, both beneficiaries and not beneficiaries, between 2014 and 2020. It was found that **the enterprises in Cegléd district that received the grants were those that had inherently better balance sheets and that also grew faster during and after the investment period.** While the funding of prosperous firms is in line with the allocation logic of domestic development policy, the phenomenon certainly raises the issue of the crowding-out effect of subsidies and the deadweight loss as well. An analysis of the data for the enterprises shows that, although the differences between the beneficiary and control groups increased over the examined period, the average annual growth rate was higher in the control group in all cases except for the number of employees. The beneficiaries only achieved a slight increase in both personnel costs and turnover, which can be explained by the higher base values and the higher levels of costs (investment costs, depreciation etc.) associated with the implementation of investments in the operating result.

The survey received responses from a total of 82 enterprises operating in the Cegléd district, which is valuable from the point of view of the research and the nature of the data collection, but it did not prove to be a representative sample. Regarding the impacts of the funding environment, a third of the respondents perceive that they have been disadvantaged in recent years compared to their competitors in other counties. A further third of respondents have had to delay their investments because of the expected arrival or the lack of funds. However, another third said that developments in EU funding had not had a significant impact on their business. Last but not least, of the statements made in the questionnaire about the EU funding system, the following were the most rejected by respondents. Firstly, **the vast majority of respondents (around 70% of respondents) do not believe that firms operating in the Cegléd district are in a more favourable financial or employment situation than firms operating in other counties. On the other hand, a large proportion (more than two thirds) disagreed the practice, that fewer funding opportunities were available in Pest County before 2021 due to the level of development of Central Hungary.** The unfavourable situation in the Cegléd district was also confirmed by the questionnaire's open-ended question. Responses included a lack of information about funding opportunities, the complicated system, the problem of unrealistic eligibility requirements for construction projects, the apathy due to previous bitter experiences, the difficult situation of small firms and the lack of resources and

manpower they face, the insufficient funding opportunities for certain sectors, the concerns about the professionalism and adequacy of calls, the unfavourable aid intensities, the competitive disadvantages due to lack of funding and the slow decision-making and administration, which make life difficult for all concerned.

By analysing Hungary's EU funding practices based on primary and secondary data, we have thus demonstrated that **Pest county, as part of the central region, has been facing an increasingly difficult situation due to the shrinking resources, which has also been reflected in the development path of the counties.** Pest County's position was further weakened by the protraction of professional and political debates on Central Hungary. Both the territorial resource allocation revealed in each cycle, the differences in absorption of grants identified for the county's districts and the quantitative and qualitative data on enterprises in the district of Cegléd confirmed the hypothesis that, **in a central region including the capital, regions outside the agglomeration ring are disadvantaged by the fact that they are treated as more developed areas in European terminology.** Although no significant differences were found in the distribution of resources between districts and the benefits realised by businesses, it was nevertheless possible to conclude that Pest county and the district of Cegléd, which was the focus of the study, were the clear victims of the development of statistical regions. Accordingly, our next **hypotheses was also accepted, both in terms of the fund absorption effects of the capital city and the effects on the development path of disadvantaged districts.**

Finally the dissertation concludes that absorption should be taken into account. It cannot be a criterion alone for the success of cohesion policy, as neither effectiveness nor utility can be maximised by spending aid alone. It is, however, worth examining the importance that can be attached to absorption in determining eligibility for funding. The concept of local absorption has been evaluated in the context of the experience of domestic research and development interventions, where the performance of certain regions and smaller territorial units is assessed and compared on the basis of specific indicators in certain fields, and the resources are allocated in a targeted and more efficient manner, taking into account the specific conditions. Although no specific indicator was developed in this dissertation due to data and capacity constraints, we hope that our suggestions in this regard will be part of the policy discourse in the future. Of course, the local absorption index requires further modelling and testing, but based on our experimental calculations, we believe it is plausible that **some regions do not receive funding**

on the basis of their real assets and capacities, but merely on the basis of their regional development, and the higher resources available to them.

As highlighted in the Barca report, the nature of R&D and innovation activities requires a „grassroots" approach. Both the knowledge bases and the organisations implementing development are local factors embedded in their environment, and their development therefore requires a targeted approach. However, **the concentration of knowledge capital and capacity in more developed regions is a phenomenon that is in contrast with the mechanisms of cohesion policy that favour the less developed regions.** If knowledge capital is concentrated in developed regions, R&D resources can be used more efficiently and effectively in these regions. This may be particularly true if the region with high innovation potential and capacity is a statistical region of a less developed Member State that is considered more developed. Just like in the case of Central Hungary.

At the same time, since the primary objective of R&D funding is not cohesion but to increase competitiveness – see the Barca report –, a territorial restriction according to the development of statistical regions does not seem justified. By contrast, the specific indicators examined above can also provide a good picture of the R&D capacity and performance of individual regions or smaller territorial units within the regions, which can provide a basis for an efficient and effective allocation of available funds. Such an extended set of criteria could also help to achieve the objectives of development policy interventions in other areas, such as health and education, by selecting appropriate indicators. In addition to the potential, absorption is also a feature that deserves attention, therefore we have taken into account the economic development interventions in the period 2007-2013, thus no complete and definitive data on funding in the period 2014-2020 were available.

The results have demonstrated that there are a number of analytical options for the allocation of funds, which can help to shade the funding potential and performance of individual counties or even smaller territorial units, depending on the availability of data. **In the case of Pest county, the duality identified earlier can be observed: although it has favourable R&D capacities compared to the rest of the country, as part of the central region it has access to significantly less funding than other less developed counties.** This confirms the need to rethink the eligibility criteria for R&D funding and to take account of local absorption.

Without denying the importance and relevance of cohesion policy with the convergence of less developed and lagging regions, the results synthesised in this thesis clearly point to the inefficiency of the policy. Thus, we intend to continue our research in the future in order to combine theoretical knowledge and practical experience to contribute to the primary motivation which can be not only spending but the use of funds in an effective way.

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