Cohesion versus Competitiveness: False dilemma or real trade-off? Evidence from EU Cohesion policy on productivity growth

Over the past decades, EU Cohesion Policy has been the Union's main tool to reduce territorial disparities while supporting economic development. As debates on the post-2027 budget increasingly emphasize competitiveness, innovation, and strategic autonomy, questions arise about whether a stronger focus on growth may conflict with cohesion objectives. This paper examines whether Cohesion Policy generates trade-offs or synergies between competitiveness and territorial convergence.

Using a panel of NUTS3 regions over 2014-2024, the analysis applies a two-step Generalized Method of Moments estimator to address endogeneity in funding allocation. Beyond average regional effects, the study assesses how Cohesion Policy reduce territorial inequalities, while promoting overall competitiveness. Competitiveness is measured through labour productivity and capital deepening, alongside indicators of territorial inequality.

The findings show no evidence of a trade-off between cohesion and competitiveness. Cohesion Policy is associated with labour productivity growth and a reduction in regional disparities, with effects materializing after a time lag. Impacts are non-linear, suggesting diminishing returns at high funding levels and the relevance of absorptive capacity. From a policy perspective, the results challenge the notion that cohesion and competitiveness represent competing objectives. They can be compatible and mutually reinforcing, provided that policy design accounts for regional capacity constraints, timing of effects, and diminishing returns. A more tailored, context-sensitive approach to Cohesion Policy is therefore essential to maximise both growth and convergence outcomes.