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Christina-Maria Michaelidou, Charalampos Chrysomallidis

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Consequences of the European Union's Cohesion Policy on Regional Inequalities across Europe

Christina-Maria Michaelidou*[1] and Charalampos Chrysomallidis[2]

[1]Hellenic Open University, Patras, Greece
Email: std529663@ac.eap.gr
[2]Associate Professor, University of the Peloponnese
Email: ch.chrysomallidis@uop.gr

Abstract

This study examines the impact of the European Union's Cohesion Policy on regional disparities across its Member States, with particular attention to developments since 2014. Using a combination of literature review and a qualitative research approach focusing on Greece, the analysis explores the extent to which Cohesion Policy has contributed to reduction of regional disparities. The findings indicate that, despite overall economic growth, regional disparities persist, with more developed regions responding more effectively to policy interventions and demonstrating greater resilience during periods of crisis. While Cohesion Policy has supported development across regions, its contribution to convergence remains limited, particularly in less developed Member States such as Greece.

JEL Classification: R11, O18, O52.

Keywords: Regional Inequalities, Economic Development, European Union, Cohesion Policy, Greece

1 Introduction

This study analyzes the impacts of the European Union's Cohesion Policy on the regional problem that characterizes EU Member States to varying degrees. It seeks to address questions related to the achievement of reducing regional disparities within the European Union in general, as well as specifically in the policy areas of Research and Innovation, Competitiveness, and Digital Transformation since 2014, while also examining the effects of Cohesion Policy on Greece as a distinct case.

* (Corresponding author). Hellenic Open University, Patras, Greece, std529663@ac.eap.gr

To address these research questions, a comprehensive literature review was conducted on regional economic policy and economic development, the role of the European Union, and the outcomes of Cohesion Policy. Greece was examined as a case study in order to assess the pursuit of economic and social cohesion and the implementation of EU Cohesion Policy. In addition, qualitative research was carried out to collect empirical evidence focusing on the Greek case.

The findings indicate that regional inequalities continue to persist within the European Union and tend to intensify during periods of economic crisis. Although all EU regions have experienced growth over time, development rates differ significantly across regions and, more notably, across Member States, with more developed regions responding more effectively to Cohesion Policy measures and demonstrating greater resilience during economic downturns. Policies implemented since 2014 (covering nearly two programming periods) have contributed to a reduction in regional disparities, a trend expected to continue, albeit not to an extent that would allow for full European convergence. In the policy areas examined—Research and Innovation, Competitiveness, and Digital Transformation—development has primarily followed a parallel rather than a balanced pattern. Finally, the Greek economy is among those most affected by economic crises and, despite receiving substantial financial support, has struggled to achieve the desired growth rates and converge with the rest of Europe.

This study contributes to the literature by adopting an integrated approach to regional convergence, examining developments in Research and Innovation, Competitiveness, and Digital Transformation, and explicitly linking these domains to the convergence objective of European Union's Cohesion Policy. Moreover, it combines recent empirical evidence for Greece with qualitative insights from policy-making institutions and policy beneficiaries, offering a perspective that remains underexplored in existing research, which has predominantly examined these dimensions separately (Compete Greece, 2024; EKT, 2021; Koukoufikis, 2014) or focused on aggregate convergence outcomes (Liargkovas et al., 2023). The paper is structured into four main sections. The first section presents the theoretical framework of regional economic policy and economic development. The second section examines the European Union's Cohesion Policy as a case study, from its adoption to the present day. The final sections analyze the impacts of Cohesion Policy on EU regions and on Greek regions in general, as well as on the selected policy areas under investigation. These are Research & Innovation, Competitiveness and Digital Transformation.

2 The goals of economic development and convergence through EU's Cohesion Policy

2.1 Economic development and convergence

Economic development is defined as the process through which economies with limited means and opportunities evolve into those characterized by greater resource availability and broader prospects (Berhman, 2001). It is important to note that the interpretation of the term "economic development" is no longer confined to a purely economic perspective of growth. Instead, it has expanded to incorporate social objectives and values, including self-esteem and freedom (Thirlwall & Pacheco-Lopez, 2022). Regional convergence is a long-term process, associated with the reduction of interregional disparities, as reflected in economic and social indicators such as GDP (Gross Domestic Product) per capita and unemployment rates.

In contrast to economic development, regional convergence may occur not only "upwards," referring to a uniform increase in the development levels of regions, but also "downwards," through the slowdown or stagnation of growth in more developed regions, bringing them closer to the levels of less developed areas. Therefore, economic development and regional convergence are interrelated concepts, as the presence of one presupposes the existence of the other; however, this does not necessarily imply that they always evolve in parallel or in mutually reinforcing ways.

2.2 European Union's Cohesion Policy as a Regional Development Policy

According to the Organization for Economic Cooperation and Development (OECD, 2025), Regional Development Policy is defined as a long-term, multi-level, and cross-sectoral approach aimed at reducing inequalities between regions and among citizens, while enhancing a country's overall economic performance through the contribution of all its regions. These objectives can be achieved through strategic and targeted public policies, investments, and services that respond to the specific needs and potential of each region, thereby promoting long-term sustainable development.

The EU's Cohesion Policy is considered the most representative example of Regional Development Policy; it was established in 1986 with the aim of promoting equality, justice, and development, while also functioning as a compensatory mechanism to support the less developed Member States, that were unable to compete effectively within the framework of the Single Market (Mitsos, 2020; Liargovas & Papageorgiou, 2018; Petrakos & Psycharis, 2016; Tsinisizelis, 2012). The implementation of Cohesion Policy is based on the principles of concentration of resources, programming, partnership and additionality, thereby enhancing the Added Value of EU (Andreou, 2016). The regions of the EU are classified according to the

NUTS system and are financed through the European Structural and Investment Funds. The current programming period is the sixth, covering the period 2021-2027.

2.3 Hypotheses

The main research question of this study concerns the persistence of regional disparities, despite the long-term implementation of the European Union's Cohesion Policy since 1988, especially in less developed Member States, such as Greece.

To address this overarching research question, the study is guided by the following research questions:

- To what extent has Cohesion Policy contributed to reducing regional disparities within the European Union?
- How have inequalities within the European Union been evolved since 2014, particularly in the areas of Research & Innovation, Competitiveness and Digital Transformation?
- What has been the impact of Cohesion Policy in Greece since 2014?

Through this study, it is expected an in-depth identification of the factors and challenges that hinder the economic development of less developed regions, and consequently the objective of convergence. In particular, the study seeks to clarify the nature of the factors that fuel this problem, namely whether they are primarily confined to the national level and related to economic or political conditions (Liargkovas et al., 2023; Petrakos & Psycharis, 2016; Andrikopoulou, 2000), or whether they are associated with the functioning of Cohesion Policy itself (Liargkovas et al., 2023; Hadjimichalis, 1996).

The selection of the specific research questions is justified by the fact that Research and Innovation, Competitiveness, and Digital Transformation constitute priority areas for both national policy agendas and the European Union and are widely acknowledged as key drivers of economic development. Furthermore, Greece was selected as the case study, as it represents a less developed EU Member State that has benefited substantially from Cohesion Policy funding over time.

3 Methodology

The literature review and descriptive analysis were based on data and reports from official European and national statistical authorities and research institutions, including Eurostat, ELSTAT, the European Commission, the OECD, ELIAMEP, EKT, in order to ensure objectivity and accuracy. The timeframe of the review spans the period 1988–2020, corresponding to the

implementation cycle of the European Union's Cohesion Policy. More recent data were additionally used for descriptive and comparative purposes, where available.

Based on Patton's (2002) classification of purposeful sampling strategies applicable to qualitative research, snowball/chain sampling was considered as the most appropriate approach. Probability sampling methods (simple random, systematic, randomly stratified) were excluded, as the choice of a random method might lead to the collection of limited or even minimal information about the research problem posed, harming the achievement of the purpose of the research (Psiloutsikou, 2023). In the present research, the key person approached by the researcher serves as an official in the Special Management Agency and Implementation of Actions in the fields of Research & Innovation (EYDE EK). This Authority operates as an autonomous and independent service of the Ministry of Development and Investments, and its main mission is to manage and implement actions in a specific area of public policy. Due to the limited accessibility of staff in the Special Management and Implementation Services (EYDE), the key informant facilitated access to senior officials across multiple EYDEs and the General Secretariat for Research and Innovation. Competitiveness and Digital Transformation. The sample size is 7 people, of which 1 person serves as a high-ranking executive in EYDE-ETAK, 1 in the General Secretariat for Research & Innovation, 4 in the Special Management Authority of the Operational Program "Competitiveness-Entrepreneurship-Innovation" and 1 in the EYDE Information & Communication Technologies Sector. Semi-structured interview was chosen as the primary data collection tool. The interviews were conducted following prior contact via telephone and email during the period 29 May 2025 to 12 June 2025. The analysis of the interview data was not supported by specialized qualitative analysis software. Instead, a manual thematic analysis was conducted, focusing on the identification and interpretation of recurring patterns and insights relevant to the research objectives. In addition, a qualitative research approach was adopted to examine in depth the factors influencing the effectiveness of Cohesion Policy and the persistence of regional disparities at both European Union and national levels and to corroborate the findings identified in the relevant literature.

4 Consequences of the European Union's Cohesion Policy on Regional Disparities across Europe

4.1 The evolution of regional disparities in European Union

The evolution of regional disparities within the EU has long been recognized as a major challenge for achieving balanced development among Member States. The first Cohesion Report already indicated a gradual convergence between Member States in terms of GDP per capita, while significant intra-regional disparities persisted, particularly in wealthier countries such as Italy, Germany and United Kingdom (European Commission, 1996[3]). Over the following decades, successive reports showed that, although Cohesion Policy contributed to overall economic growth, infrastructure development and job creation, its impact on reducing regional disparities limited (European Commission, 2004 & 2001[4]). The 2008 economic and financial crisis further widened these gaps, affecting both developed and less developed economies, with Southern and Eastern Member States experiencing the most severe consequences (European Commission, 2014[5]). More recent reports (2017-2024) indicate that regional convergence has resumed, driven primarily by major urban centers, a pattern that has also been associated with processes of regional polarization and peripheralization, particularly in the context of the 2004 enlargement of the European Union (Pirvu et al., 2019). However, new challenges have emerged, such as the phenomenon of "development traps", which hinder sustained progress in certain regions (European Commission, 2023 & 2017[6]). Overall, while Cohesion Policy remains a key instrument for promoting growth and solidarity, it has not succeeded in achieving substantial and lasting regional convergence across the European Union yet.

The reasons why less developed regions — and, more broadly, Member States that continue to lag behind compared to more advanced ones — do so are not limited to economic constraints but also involve political and administrative factors. Despite the substantial financial support provided through Cohesion Policy, the weak performance of these economies may often be attributed to a gap between expectations and actual outcomes. This gap stems from a mismatch between the incentives of the "funders" and the objectives of the "recipients," inefficient management of resources, and a declining motivation to pursue sustainable sources of revenue (Liargovas et al., 2023). These issues are also evident in the persistently low absorption rates of Structural Funds across several Member States, which undermine the supportive role of the Structural Funds — including the Cohesion Fund — in promoting economic development. Moreover, various studies have shown that higher levels

[3] https://op.europa.eu/en/publication-detail/-/publication/b093469f-676b-40b8-8cf1-3c16769c9e78/language-en
[4] https://eur-lex.europa.eu/legal-content/EL/TXT/?uri=LEGISSUM:g24006 & https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52001DC0024
[5] https://ec.europa.eu/regional_policy/sources/reports/cohesion6/6cr_el.pdf
[6] https://ec.europa.eu/regional_policy/sources/reports/cohesion7/7cr_el.pdf

of financial assistance, in some cases, reduce the quality of governance or distort local incentives, ultimately hindering development (Liargovas et al., 2023; Hadjimichalis, 1996). From another perspective it has been demonstrated that transfers under the Cohesion Fund- which has accounted for nearly 20% of total Cohesion Policy expenditure over time, can generate positive effects for economically weaker Member States, particularly during the first seven-year funding cycle (frontloaded). However, these effects are heterogeneous across regions and depend on the intensity of funding, without guaranteeing that higher levels of funding translate into proportionally higher growth effects (Alexopoulos et al., 2025).

4.2 Evolution of Regional Disparities in Research & Innovation within European Union

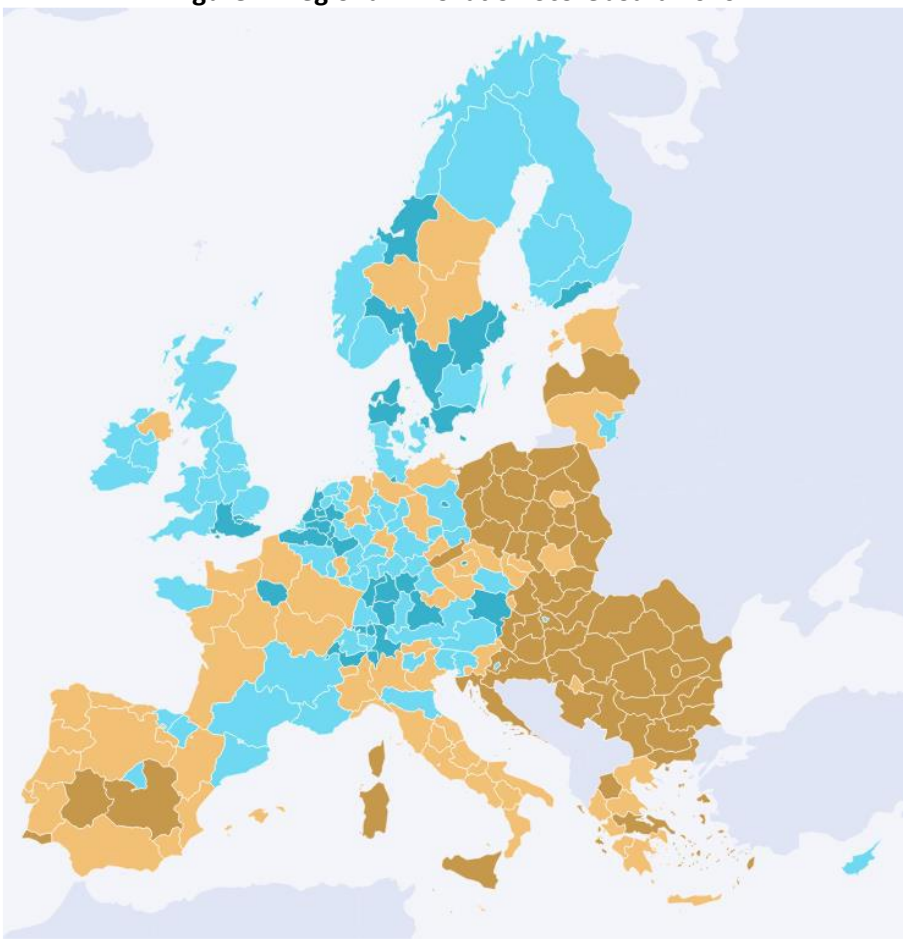
Research as a policy field has attracted the interest of EU Member States since the creation of the European Economic Community, while the sector of research and technological development was formally incorporated as complementary to the internal market through the Single European Act (Asderaki, 2016:506-509). Within the framework of Cohesion Policy, the first systematic investments in this field were made during the 2007-2013 programming period, aiming to capitalize on existing poles of excellence (such as research centers and universities) enhance human capital, and mobilize private investment through the establishment of a new generation of laboratories and basic research infrastructures (European Commission, 2009[7]). The promotion of research, technological development and innovation was identified as the first thematic objective of the "Europe 2020" strategy, whose motto was "smart, sustainable and inclusive growth" and set the target of investing 3% of GDP in this area. The main financial instrument of the EU's Research and Innovation (R&I) policy was Horizon 2020, which in the current programming period has been replaced by Horizon Europe 2021-2027. Horizon Europe is structured around four pillars: Excellent Science, Global Challenges & European Industrial Competitiveness, Innovative Europe and a component dedicated to strengthening the European Research Area (European Commission, 2025[8]).

The most representative indicator for examining regional disparities among EU Member States is the Regional Innovation Scoreboard (RIS). In this study, two reference years were selected, 2016 and 2023, due to the relatively stable number of EU Member States during this period (with the exception of the United Kingdom's withdrawal in 2020) and the use of a consistent methodology across both datasets. Figure 1 highlights the considerable heterogeneity among EU regions in 2016, with territories classified into four innovation performance categories. Deep blue and blue indicate *innovation leaders* (above 125% of the

[7] https://eur-lex.europa.eu/EL/legal-content/summary/cohesion-policy-to-deliver-the-lisbon-strategy-2007-2013.html
[8] https://eur-lex.europa.eu/legal-content/EL/TXT/?uri=LEGISSUM:horizon_europe

EU average and slightly above average), beige represents *moderate innovators* (around the EU average), and brown reflects *emerging innovators* (lower performance but improving trends). In many Member States, regional performance clusters are relatively homogeneous, suggesting that disparities are more pronounced between Member States than within them. This pattern is evident in Greece, Bulgaria, and Romania, where most regions fall into the moderate or emerging innovator categories, and in Croatia and Hungary, with the exception of their capital regions (Zagreb and Budapest, respectively). In contrast, some Member States, such as France, Germany, and Sweden, display significant internal disparities, with regions spanning all three innovation performance categories. The highest performing regions were Hovedstaden in Denmark (158.9) and Stockholm in Sweden (154.3), while the lowest scores were recorded in Greece—specifically Western Macedonia (50) and Eastern Macedonia and Thrace (49.9). Overall, most EU regions in 2016 were classified as moderate innovators.

Figure 1: Regional Innovation Scoreboard 2016



Source: European Commission, 2025[9]

[9] https://projects.research-and-innovation.ec.europa.eu/en/statistics/performance-indicators/european-innovation-scoreboard/eis-2024#/ris?year=2016&compare_year=2023

In 2023, the overall pattern remains broadly similar to that of 2016, although several emerging regions have shown substantial improvement, with the notable exception of most Romanian regions. Among the innovation leaders, Prague (Czechia) recorded an increase of 24 points compared to 2016, and Nordjylland (Denmark) rose by 29 points. Within the emerging group—where the most pronounced changes are observed—the South Aegean Region stands out, registering an increase of more than 20 points.

4.3 Evolution of Regional Disparities in Competitiveness within EU

Cohesion Policy has consistently sought to strengthen competitiveness by supporting enterprises in the Member States in areas such as innovation in production processes, workforce training, and related capacities. Within the framework of the "Europe 2020" strategy, this objective was promoted primarily through the pursuit of sustainable development, which included quantitative targets such as increasing the share of tertiary education graduates to at least 40% and reducing early school leavers in primary and secondary education by 10% (European Commission, 2017[10]). In the current programming period, efforts to enhance competitiveness are focused mainly on the development of digital skills across the workforce and the modernization of infrastructure in both the public and private sectors (European Commission, 2023[11]).

The Regional Competitiveness Index (RCI) measures the economic performance and competitiveness of regions at the NUTS 2 level, taking into account the heterogeneous characteristics of each region — including both its strengths and weaknesses. The index is composed of 11 pillars, which are grouped into three categories (Annoni & Kozovska, 2010):

- Basic pillars – Group 1: Institutions, Macroeconomic Stability, Infrastructure, Health, Quality of Primary and Secondary Education.
- Efficiency pillars – Group 2: Higher Education, Labor Market Efficiency, Market Size.
- Innovation pillars – Group 3: Technological Readiness, Business Sophistication, and Innovation.

Based on the first measurement of competitiveness using the RCI in 2016, it is observed that regional disparities are most pronounced in the Innovation pillars, although they are also evident in the Basic and Efficiency pillars. The ten most competitive regions in the EU belonged to different Member States, with several located in the United Kingdom, and others in the Netherlands (Utrecht), Sweden (Stockholm), Denmark (Hovedstaden), Luxembourg

[10] https://eur-lex.europa.eu/legal-content/EL/TXT/?uri=LEGISSUM:em0028&frontOfficeSuffix=%2F
[11] https://ec.europa.eu/regional_policy/whats-new/newsroom/05-02-2023-eu-cohesion-policy-2021-2027-programmes-expected-to-create-1-3-million-jobs-in-the-eu_el

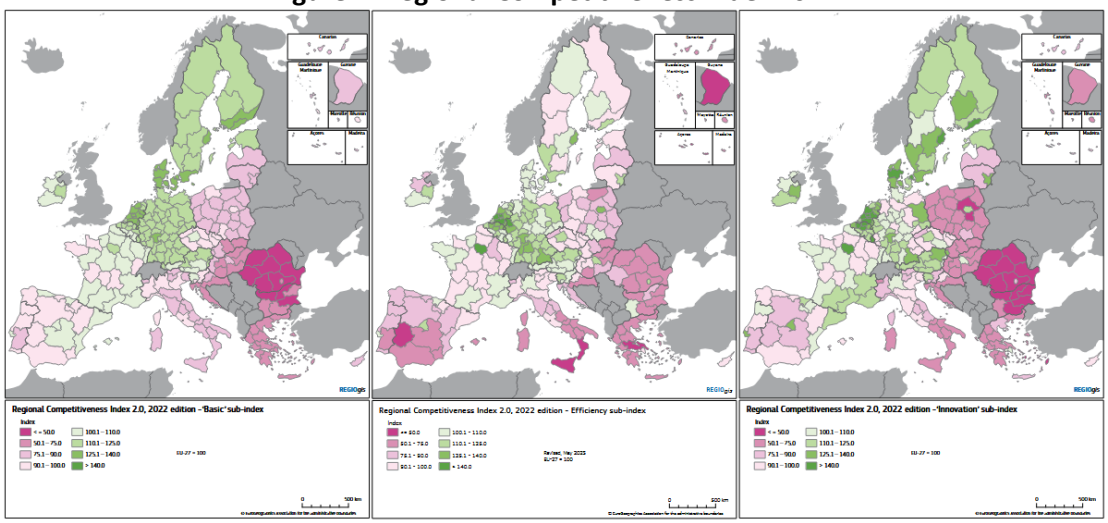
(Luxembourg Region), France (Île-de-France), and Germany (Oberbayern). In contrast, the least competitive regions were found in Romania (Sud-Muntenia, Sud-Vest Oltenia, Sud-Est), Greece (Ionian Islands, Western Greece, Peloponnese, Central Greece, Eastern Macedonia, and Thrace), Bulgaria (Severozapaden), and France (Guyane). The highest regional score in the EU was 100, while the lowest was 0, highlighting the extreme degree of regional inequality that persists within the Union. In most Member States, the capital regions were the most competitive, with the exceptions of Germany, Italy, and the Netherlands. The greatest intra-national disparities were observed in France, Bulgaria, Slovakia, and Greece. Regarding regional disparities by RCI pillar, the largest gaps appeared in the Efficiency and Innovation pillars (European Commission, 2017[12]).

The most recent available data on EU competitiveness refer to the year 2022 and reveal both similarities and differences compared to 2016. The withdrawal of the United Kingdom from the EU significantly reshaped the ranking of the ten highest-performing regions. The top positions were mainly occupied by regions from the Netherlands (Utrecht, Zuid-Holland, Noord-Brabant, Amsterdam, Gelderland), Belgium (Brussels and Oost-Vlaanderen), as well as Île-de-France, Stockholm, and Hovedstaden — the first of which showed improvement compared to 2016. Conversely, the group of the least competitive regions remained largely unchanged, again including regions from Greece, Romania, and Bulgaria, while the French region of Guyane was no longer among them. Compared to 2016, the gap between the most and least competitive regions narrowed but remained substantially high (151.1 versus 46.1).

Moreover, some Member States recorded all of their regions with competitiveness levels above the EU average — specifically Germany, Austria, Belgium, the Netherlands, Luxembourg, Sweden, Denmark, and Finland. By contrast, most regions in Southern Europe performed below the EU average, with only five exceptions from Spain, Italy, and Portugal. Intra-national disparities were most evident in France, Ireland, Italy, and Spain (European Commission, 2023). Finally, disparities across the RCI pillars were most pronounced in Pillar 3, highlighting substantial differences in innovation performance among Member States, followed by Pillar 2, where German regions outperformed those of other countries.

[12] https://ec.europa.eu/regional_policy/sources/work/201701_regional_competitiveness2016.pdf

Figure 2: Regional Competitiveness Index 2022



Source: European Commission, 2023:15

4.4 Evolution of Regional Disparities in Digital Transformation within European Union

The first initiatives in the field of Digital Transformation were introduced during the Third Community Support Framework, while the Treaty on the Functioning of the European Union laid the foundation for the creation of the Digital Single Market. Key policy instruments during this period included the European digital library Europeana and the Digital Agenda for Europe, which was incorporated into the "Europe 2020" strategy (European Commission, 2009–2010[13]). In the current programming period, the Digital Europe Programme is being implemented, aiming to strengthen the EU' competitiveness in the global digital economy, reduce the digital divide, and support the development and deployment of advanced digital technologies, including Artificial Intelligence. Furthermore, according to the most recent Regulation (2025/38), a European Cybersecurity Alert System and similar mechanisms have been established (European Commission, 2025[14]).

Disparities among EU Member States in the field of digital transformation are measured through the Digital Economy and Society Index (DESI). This index, established by the EU in 2014, is composed of five dimensions that capture both qualitative and quantitative aspects:

- Connectivity
- Human Capital
- Use of Internet Services

[13] https://eur-lex.europa.eu/EL/legal-content/summary/digital-agenda-for-europe.html?fromSummary=31,https://eur-lex.europa.eu/legal-content/EL/TXT/?uri=LEGISSUM:am0001&frontOfficeSuffix=%2F

[14] https://eur-lex.europa.eu/EL/legal-content/summary/digital-europe-programme-2021-2027.html?fromSummary=31

- Integration of Digital Technology
- Digital Public Services.

A comparison is made between EU Member States for the years 2017 and 2022. In 2017, most Member States recorded digital performance levels above the EU average. The highest-scoring countries were Finland, Denmark, Sweden, the Netherlands, and Luxembourg, while Poland, Bulgaria, Greece, and Romania ranked lowest. Examining each indicator separately, Finland recorded the highest level of digital skills among citizens (16.17), despite demonstrating a comparatively lower performance in connectivity (7.09).

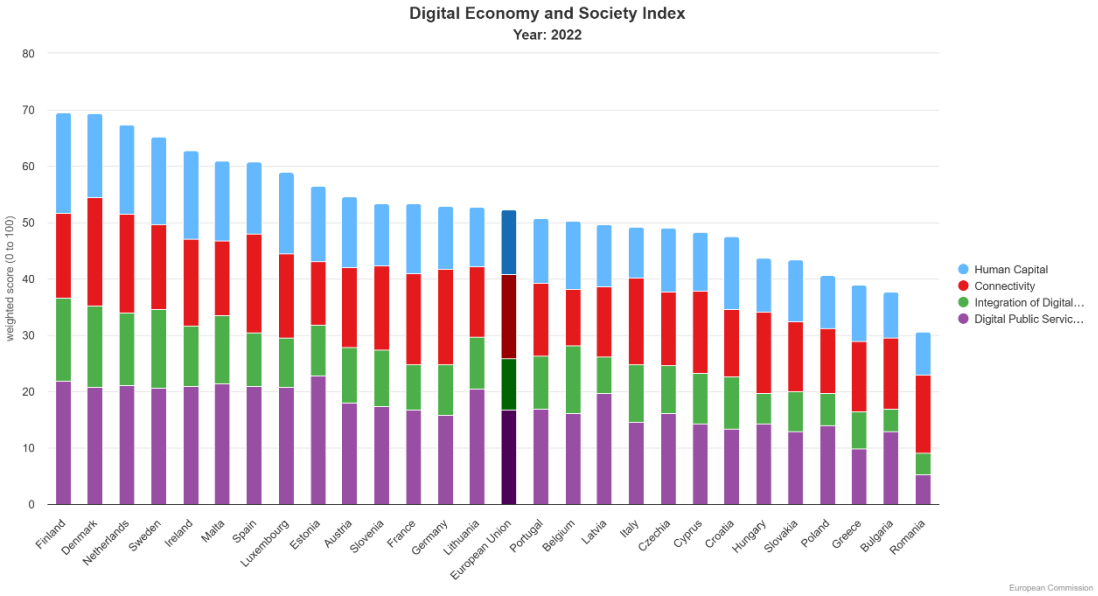
Conversely, citizens in Romania and Bulgaria had the lowest levels of digital skills (6.97 and 7.49 respectively). In terms of connectivity, Luxembourg recorded the highest score (9.86), followed by Latvia (9.55), despite Latvia ranking only tenth overall. Interestingly, Romania, although ranking among the lowest in overall digitalization, outperformed many other Member States in connectivity (7.89). Concerning the integration of digital technology, notable disparities were observed. Latvia (3.15), Bulgaria (2.53), Romania (2.86), Hungary (3.22), and Poland (3.17) recorded the lowest scores, while Denmark (8.81), Finland (8.60), Sweden (8.44), and the Netherlands (8.15) were the highest performers. Finally, regarding digital public services, Estonia ranked first (16.78), while most Member States recorded relatively high with the exception of Greece (6.00) and, more significantly, Romania (1.85).

For 2022, the DESI increased on average across the EU, with Member States almost evenly divided (14–13) between those performing above and those below the EU average. This indicates that disparities among Member States have widened: the most digitally advanced countries have further strengthened their positions, whereas the less advanced ones have improved, though not at the same pace. The top-performing and lowest-performing countries largely remained the same as in 2017. Nevertheless, all Member States recorded increases across all DESI dimensions, suggesting that EU-level digital strategies and funding instruments, including those under Cohesion Policy, have contributed to progress in the digital field — although convergence has not yet been achieved.

When considering each dimension separately, Finland continued to record the highest level of digital skills among citizens (17.85), while most Member States scored between 11 and 13. Italy (9.14) and Hungary (9.61) remained below the EU average, whereas Greece (10.03) and Slovakia (11.03) improved but continued to rank lower overall. Connectivity scores increased substantially across all Member States — in some cases nearly doubling compared to 2017. Notable improvements were recorded in Greece (12.39 vs. 3.17 in 2017), Ireland (15.38 vs. 5.00), Denmark (19.27 vs. 9.19), and Spain (17.43 vs. 7.93). The integration of digital

technology remained comparatively low at the EU level, although significant improvements were observed since 2017. Wide disparities persisted, with Romania (3.79) and Bulgaria (3.88) at the bottom, while Finland (14.77) and Denmark (14.50) ranked highest. Regarding digital public services, Estonia continued to lead (22.79), with Lithuania (20.45) and Latvia (19.70) showing considerable progress compared to 2017 (14.60 and 14.43 respectively).

Figure 3: Digital Economy & Society Index 2022



Source: European Commission, 2025[15]

5 Consequences of the European Union's Cohesion Policy in Greece

5.1 Consequences of the European Union's Cohesion Policy on Regional Disparities in Greece

Regional disparities have long been one of the most persistent challenges of the Greek economy, particularly affecting the less developed regions that lack adequate infrastructure, services, and growth opportunities (Petrakos & Psycharis, 2016). Despite decades of EU membership and substantial Cohesion Policy funding, convergence among Greek regions has remained limited and regional performance continues to fall below the EU average across key development indicators (Liargovas et al., 2023). This insufficient convergence is largely attributed to the absence of strategic long-term planning in the allocation of EU funds, where investments have often prioritized projects with high political visibility rather than that could generate sustained productive capacity and regional development (Chrysomallidis, 2022). It

[15] https://digital-decade-desi.digital-strategy.ec.europa.eu/datasets/desi-2022/charts/desi-composite?indicator=desi_sliders&breakdownGroup=desi&period=2022&unit=pc_desi_sliders

may also be linked to the long-standing centralized character of the Greek political and administrative system (Andreou, 2006), despite the constitutional recognition of decentralization and the more recent legislative institutionalization of multilevel governance in 2023.

Table 1: EU Funds in the Greek Regions

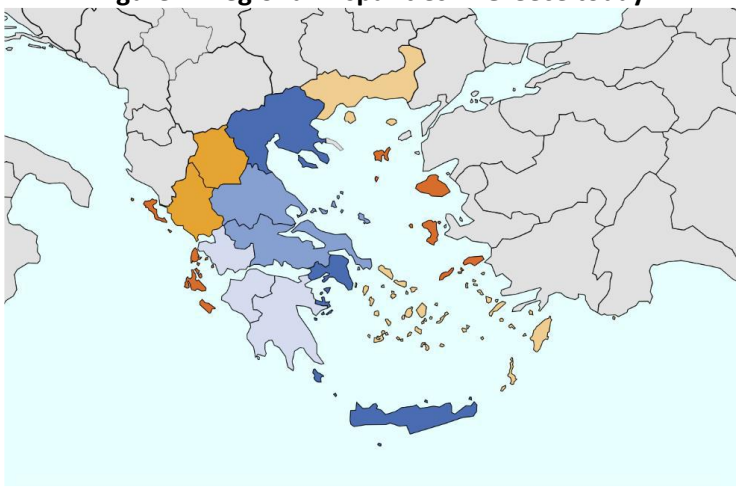
	1989-1993	1994-1999	2000-2006	2007-2013	2014-2020	2021-2027
Attica	827,5 mil.	2,398 bil.	6 bil.	3,5 bil.	588 mil.	1,62 bil.
C. Maced.	1,73 bil.	3,24 bil.	3,22 bil.	1,65 bil.	1,31 bil.	1,44 bil.
Pelop/se	501 mil.	967 mil.	1,5 bil.	2,23 bil.	306 mil.	410 mil.
East Mac.	421 mil.	1,25 bil.	1,73 bil.	3,9 bil.	397 mil.	522 mil.
Thessaly	361 mil.	1,4 bil.	1,76 bil.	2,84 bil.	433 mil.	554 mil.
Crete	280 mil.	888 mil.	1,5 bil.	1,53 bil.	335 mil.	565 mil.
N. Aegean	242 mil.	310 mil.	811 mil.	616 mil.	125 mil.	394 mil.
C. Greece	220 mil.	984 mil.	2,13 bil.	1,45 bil.	270 mil.	426 mil.
Epirus	131 mil.	846 mil.	1,5 bil.	901 mil.	228 mil.	426 mil.
West.Mac.	86 mil.	907 mil.	1,71 bil.	710 mil.	154 mil.	394 mil.
West. Gr.	84 mil.	1,22 bil.	1,84 bil.	2,87 bil.	412 mil.	628 mil.
S. Aegean	64 mil.	419 mil.	1 bil.	603 mil.	149 mil.	285 mil.
Ionian Isl.	22 mil.	232 mil.	767 mil.	785 mil.	129 mil.	288 mil.

Source: Liargovas et al., 2023:66

Since Greece's accession to the European Union in 1981, regional inequalities—reflected in GDP per capita—have remained significant. Although successive Community Support Frameworks contribute to increases in regional GDP levels and supported the expansion of the tertiary sector, convergence has often been "downward," especially after the 2008 financial crisis, which led to a GDP contraction and a sharp rise in unemployment. More recently, Gini index data indicate a slight improvement in income distribution, yet substantial regional disparities persist. According to Eurostat (2025[16]), the Ionian Islands and the North Aegean remain the least developed regions, while Attica, Central Macedonia, and Crete continue to lead Greece's regional economy.

[16] https://ec.europa.eu/eurostat/databrowser/view/tgs00004/default/map?lang=en&category=t_reg.t_reg_eco

Figure 4: Regional Disparities in Greece today



Source: Eurostat, 2025

5.2 Cohesion Policy in Greece in the field of Research & Innovation

The promotion of Research and Innovation (R&I) as a policy objective was only moderately emphasized in the "Agenda 2000" programming period but it became a central priority in the subsequent ones. However, as early as the Second Community Support Framework (CSF II), significant resources had already been allocated specifically to Greece for research and technological development (European Commission, 1993). During the 2007–2013 period, a considerable share of public funding focused on strengthening collaboration between enterprises and research institutions, as well as on supporting researchers (accounting for 9.8% of total funding). Several initiatives were introduced at that time, including PAVET (industrial research funding for businesses), Innovation Vouchers, and schemes promoting start-ups. The Innovation Vouchers—first applied in the Netherlands—allowed SMEs to "purchase" technological and advisory services from universities and research centers to enhance productivity (GSRI, 2023). Although the scheme was implemented in five of the thirteen Greek regions, its cost-effectiveness was questioned by interview participants. One participant noted that the action might have been more successful if combined with complementary innovation-enhancing measures, while another suggested that the vouchers served as a basis for the subsequent Research–Create–Innovate program.

In this programming period, the Smart Specialization Strategy (RIS3) was introduced, a strategy which the research participants identified as the key instrument that made this programming cycle the most productive, particularly in the field of Research and Innovation within the framework of Cohesion Policy. RIS3 was regarded as effective because it focuses on identifying the unique competitive strengths of each region, enabling them to build on their particular characteristics and enhance their competitiveness. In addition, RIS3 functioned as

an ex-ante conditionality for the allocation of funding to R&I actions (Chrysomallidis & Mourdoukoutas, 2024). One interviewee highlighted that RIS3 supported regional cohesion by fostering interregional partnerships, although funding was withheld when one of the partners did not meet eligibility criteria. The strategy also strengthened collaboration between enterprises and research organizations, contributing to innovation-driven regional growth-though not evenly across the country. Participants emphasized that the maturity and capacity of regional ecosystems were crucial for the effectiveness of synergies and efficient resource utilization. Regions such as the North Aegean and Ionian Islands were described as having limited administrative and technical capacity and weak research infrastructure, in contrast with Crete and Western Greece (GSRI, 2023).

For island regions, geography and limited accessibility were not the sole constraints. Low levels of workforce specialization, bureaucracy, and SMEs' financial risk-aversion were identified as key barriers to innovation-driven development. As highlighted by interview participants, funding alone is insufficient when it is not accompanied by the managerial capacity to use it effectively.

The National RIS3 Strategy 2021–2027 includes eight priority sectors (GSRI, 2023). Regions such as Crete, Attica, and Central Macedonia are expected to demonstrate stronger progress, while the Aegean regions are projected to grow more modestly. According to the Regional Innovation Scoreboard (2024), Attica, Crete, Central Macedonia, Western Greece, Epirus, Thessaly, and Peloponnese are classified as moderate innovators (70–100% of the EU average), while the remaining regions are emerging innovators (below 70%).

5.3 Cohesion Policy in Greece in the field of Competitiveness

Competitiveness is a central objective for both the European Union and Greece within the framework of the Single Market. However, for Greece, it also constitutes a major challenge, as approximately 90% of Greek enterprises are micro, small, or medium-sized, accounting for 99.6% of total business activity. The challenge became even more pronounced during the 2014–2020 programming period, when Greece was still in the process of recovering from the 2008 financial crisis and simultaneously faced the additional shock of the COVID-19 pandemic.

The Operational Program "Competitiveness–Entrepreneurship–Innovation 2014–2020" aimed to lay the foundations for a new growth model based on quality entrepreneurship. Its priorities focused on supporting entrepreneurship in productive and innovative sectors, enhancing the adaptability of businesses and employees to new development needs, and creating support mechanisms and infrastructures. Implementation was based on the Smart Specialization Strategy (RIS3). However, several difficulties arose, including delays linked to ex-

ante conditionalities, the constraints imposed by capital controls, and the reduction of European Union's contributions for "transition" regions (Central Greece and South Aegean).

Significant actions included 146 skill-upgrading projects, 20.500 business loans amounting to €2.3 billion, and the establishment of the Equi Fund platform to finance innovative ideas, complemented by pandemic support schemes such as repayable advances. In the current programming period, the STEP fund is considered the most promising tool to promote innovation in key sectors such as digital technologies and biotechnology, with €3.885 billion allocated for competitiveness.

Competitiveness funding allocation across regions cannot be predefined, as it depends on eligibility criteria, business interest, and program alignment. The Regional Competitiveness Index reveals persistent regional disparities: low competitiveness in institutions and macroeconomic stability across all regions, infrastructure superiority in Attica, weak educational outcomes, and major inequalities in tertiary education and lifelong learning. Most regions exhibit small market size and low labor market efficiency. Although business organization and development are relatively strong, digital readiness remains particularly low across regions.

Finally, according to research participants, only the "transition" regions appear capable of withstanding international competition—provided that future EU priorities align with national business sectors; otherwise, a deeper structural transformation of the Greek economy will be required.

5.4 Cohesion Policy in Greece in the field of Digital Transformation

The promotion of digital services first became a policy priority during the Third Community Support Framework (CSF III), with investment directed mainly toward education, culture, public administration, and the environment. E-government and broadband projects were implemented across all regions, particularly benefiting Attica and Central Macedonia, followed by Central Greece, Crete, and Epirus (KEDE, 2006). According to interview participant, the Information Society Program laid the foundations for digital convergence through key initiatives such as Ariadne (Citizen Service Centers) and SYZEFXIS (National Public Administration Network) (KEDE, 2006).

Digital transformation accelerated during the 2007–2013 programming period through the Digital Convergence programme, which prioritized improving business productivity and citizens' daily lives through ICT. Key projects such as Diavgeia, e-Prescription, Taxisnet, and SearchCulture.gr were completed, while Cloud technologies laid the foundation for the integration of public information systems. The JEREMIE initiative provided financial support

for innovative SMEs. However, according to the interviewee, disparities in beneficiaries' digital literacy hindered project execution. To mitigate these issues, the Information Society S.A. and the National Infrastructures for Research and Technology (GRNET) acted as intermediaries, assisting with technical procedures and project implementation. Broadband projects like Rural Broadband targeted "white areas," where private providers showed no investment interest.

During the 2014–2020 period, the National Digital Growth Strategy expanded digital actions across citizens, businesses, and the public sector, particularly during the COVID-19 pandemic. Platforms such as gov.gr offered over 1,000 digital public services (Sotiropoulos, 2021), alongside digital signatures, e-payments, and remote learning tools.

The Digital Transformation Program 2021-2027 prioritizes public sector digitalization, high-speed broadband expansion, and digital skill development. The flagship project, Ultrafast Broadband, aims to provide speeds from 100 Mbps in rural areas to 1 Gbps in urban areas. Nevertheless, according to research participant, Greece continues to face three major challenges: digital illiteracy, low SME digital maturity, and limited public sector efficiency, which the integration of Artificial Intelligence into state systems aims to address.

Finally, the participant emphasized that bureaucracy—both national and EU-level—remains a persistent barrier, causing delays despite gradual procedural simplification. Regional digital disparities depend largely on local governance efficiency and business engagement rather than EU design itself. While the DESI index remains the main national benchmark, a Regional DESI (R-DESI) has been developed but has not yet been applied to Greek regions.

6 Conclusions

Despite the implementation of the Cohesion Policy for almost four decades, the European Union' s regional disparities persist, hindering regional convergence and, consequently, the balanced development of its member states. According to the European Commission's Reports on Economic, Social, and later Territorial Cohesion, disparities continue to exist at every level of the NUTS system (I, II, III), both within and between the Member States. The greatest rate of convergence occurred after the implementation of Agenda 2000, a year or two before the global financial crisis of 2008 broke out. This crisis affected regions and member states, regardless of their level of development, and sharply increased unemployment. Some Regions are still unable to achieve development, despite the financial support they receive. At that time, it was also decided to revise the Structural Funds Regulations, introducing conditionalities in order to protect European Monetary Union.

In the case of Greece, the Regions of Attica and Central Macedonia have developed significantly, while other Regions were unable to keep up with their pace, despite recording growth rates over time. The greatest convergence was achieved in 2008, but the crisis provoked the return of the Greek regions to levels of growth comparable to those of 2000. The divergence of Attica from the other Regions led to the phenomenon of polarization of development. On the contrary, in 2019, convergence occurred “downwards” across Greek Regions. According to the results of the qualitative research, the primary obstacle during the use of Cohesion Policy funds is bureaucracy, mainly national, causing delays that sometimes even lead applicants to withdraw from funding procedures, which is the main instrument of cohesion policy. Another inhibiting reason is the heterogeneity of the Greek Regions. However, the participants in the survey did not argue that there is a problem related to the absorption of Community funds, as all the resources have been used until the end of each programming period.

In the field of Research & Innovation, actions under Cohesion Policy that have taken place mainly since 2007 have so far resulted more in the maintenance of disparities between Member States than between regions, although there are also states with intra-state disparities. However, in any case, all regions have made progress, although intrastate disparities do exist in some cases, with this even concerning emerging regions, such as the South Aegean. Based on the responses of the interview participants, the 2014-2020 programming period was considered the most productive in Greece, due to the promotion of the Smart Specialization Strategy, which substantially contributed to the regional cohesion through collaborative actions of research institutions. Furthermore, the low specialization of human resources, the lack of knowledge of social resources management and the inability of businesses to recognize the importance of financing were considered inhibiting factors for the reduction of regional disparities. According to the participants, Attica, Central Macedonia, and Crete have developed the most and are expected to benefit further from the current programming period, whereas the North Aegean is expected to benefit the least.

As far as the field of Competitiveness is concerned, the performance of the regions of the Member States is measured according to a variety of criteria - economic, social, and innovation-related. The European Union's regional disparities persist over time, but all the Regions have developed, but the rates of development differ through regions. In particular, developed regions develop faster than less developed ones, with disparities again being more pronounced between states rather than between regions, with a few exceptions. Intrastate disparities are also observed. In the case of Greece, its regions are categorized as “transition

regions" and "less developed regions", while Attica is the one that dominates over the rest. For this reason, during the last two programming periods, fewer resources were allocated to Attica, but participants raised concerns regarding whether a sufficient number of applications would be submitted by businesses in the other Regions by the end of the current period. Another issue that characterizes the less developed regions of Greece is the low level of higher education and training. The 2014-2020 programming period was perceived as the most demanding, as it was marked by the consequences of the economic crisis-capital controls and conditionalities-and then the consequences of the pandemic. According to the qualitative evidence, these conditions caused delays in program implementation; nevertheless, extensive support measures were introduced to assist businesses, with Attica, Central Macedonia and Crete experiencing the most significant development.

Finally, in the field of Digital Transformation, all EU Regions have developed over time, with the most developed ones achieving greater returns more rapidly, while less developed ones lagged mainly in the integration of Digital Technology, creating disparities both between states and within the state. In Greece, participants noted that the 2007-2013 programming period was the most productive due to the wide range of projects implemented across the country. The main obstacles to program implementation were identified as bureaucracy at both national and European Union levels; however, over time, efforts to simplify procedures gradually appeared. Attica continues to be perceived as the leading Region, while factors that inhibit the development of others include the preferential support directed to Attica, the geomorphological characteristics of the other Regions and the options for action of local authorities and their businesses, with the latter reluctant to invest in other Regions, given the concentration of "secure" and "certain" opportunities in the capital region.

Overall, the findings indicate that Cohesion Policy has contributed to reducing regional disparities within the European Union only to a limited extent. It is evident that the resources and implementation actions of Cohesion Policy have undoubtedly contributed significantly to the long-term development of all Member States and Regions, although a satisfactory degree of convergence has not been achieved yet. In fact, the economic crises revealed that the Cohesion Policy is based exclusively on the instrument of funding and not on foundations that can essentially lead to the goal of regional convergence. While in the case of European Monetary Union the European Union proceeded with substantial institutional reforms to safeguard its stability, such a process is more complex for Cohesion Policy, as the European Union has not been granted the corresponding level of competence and responsibility in regional development matters. At the same time political and administrative factors at the

national level continue to influence the effectiveness of cohesion efforts, highlighting the importance of strengthening internal governance frameworks to facilitate greater regional convergence.

In the case of Greece, such factors have caused its regions to diverge from the rest of the European average, showing development patterns similar to those of the most recently acceded Member States-a situation that understandably raises significant concern. Nevertheless, based on both quantitative and qualitative data of the survey, it is clear the country is going through a new period of growth and is gradually addressing longstanding challenges, such as the absorption of EU funds. In this context, the Smart Specialization Strategy is considered to be, since 2014, the most appropriate for the case of the Greek Regions.

In conclusion, Cohesion Policy has historically contributed to the economic development of both developed and less developed EU Member States, with the former growing at faster rates and recovering more rapidly during periods of economic crisis, largely due to more advanced technological infrastructures. At the same time, the findings indicate that political and administrative decisions taken at the national level significantly influence the effectiveness of Cohesion Policy implementation. What appears to be required is an expansion of control mechanisms focusing on policy substance rather than solely on legality, potentially through the establishment of a supranational European Union body with enhanced oversight competences. This proposal could be further examined in depth by relevant national and European institutions. In addition, future research could explore the causal relationship between administrative capacity, institutional oversight, and the effectiveness of Cohesion Policy by employing comparative analyses across Member States and regions.

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APPENDIX

QUESTIONNAIRE 1 (RESEARCH & INNOVATION)

PART I: COHESION POLICY & INEQUALITIES IN GREECE

1. Which programming period had the most productive results for Greece and in which sectors? Which measures have contributed to better utilization of EU funds compared to the past?
2. What do you consider to be the main reasons preventing the country from making full use of Cohesion policy funds?
3. Which interventions or tools of Cohesion Policy have contributed the most to the reduction of regional disparities in Greece?
4. Do you believe that the resources of the Recovery & Resilience Facility and the actions included in it can help the country's development? Under what conditions?

PART II: RESEARCH AND INNOVATION IN GREECE

5. One of the first actions that took place in the field of Research and Innovation was the "Innovation Vouchers for Small and Medium-sized Enterprises" (programming period 2007-2013). How do you assess this initiative? Did it contribute to the development of less developed regions and thus to the reduction of regional disparities?
6. In the National R&D Strategy for Smart Specialization 2014-2020, various structural weaknesses of the Greek economy were presented. Which do you think were the most serious ones that most affected the course of regional convergence during that period?
7. How did the actions defined in the framework of the National R&D Strategy for Smart Specialization 2014-2020 helped to reduce regional disparities? What problems were identified and especially in which regions?
8. What is your opinion on the proposal for cooperation between the Regions for the implementation of policies in the development of entrepreneurship, as formulated in the National R&D Strategy for Smart Specialization 2014-2020? Were actions taken in this direction? If yes, what were the results?
9. According to a survey (EKT, 2022), Greek businesses strengthened their innovation in both industry and services to a significant extent (+10%). Nevertheless, according to the EIS (European Innovation Scoreboard), with 2024 data, the country (continues to) rank among the moderate innovators with percentages lower than the average of EU

members (20th place). What do you consider are the main reasons that hinder the further development of the regions in this area?

10. According to the RIS (Regional Innovation Scoreboard) index, island regions (North Aegean, South Aegean, Ionian Islands) lag behind in innovation rate compared to the rest of the country's regions (2023 data). In your opinion, do the specific conditions that characterize island regions and municipalities, i.e., geomorphological characteristics and limited accessibility, play a dominant role, or would you point out some other factors as more important?
11. Which of the regions of the country do you think will show the greatest improvement and which the least in this area (R&I)?
12. The European Union has stated its objective of creating a "fifth freedom" in the field of R&I. How do you think this objective will affect Cohesion Policy in the future? What benefits can Greece reap and under what conditions?

QUESTIONNAIRE 2: COMPETITIVENESS

PART I: COHESION POLICY & INEQUALITIES IN GREECE

1. Which programming period had the most productive results for Greece and in which sectors? Which measures have contributed to better utilization of EU funds compared to the past?
2. What do you consider to be the main reasons preventing the country from making full use of Cohesion policy funds?
3. Which interventions or tools of Cohesion Policy have contributed the most to the reduction of regional disparities in Greece?
4. Do you believe that the resources of the Recovery & Resilience Facility and the actions included in it can help the country's development? Under what conditions?

PART II: COMPETITIVENESS IN GREECE

5. Did the Competitiveness-Entrepreneurship-Innovation 2014-2020 Operational Programme contribute to the transition toward qualitative entrepreneurship and the strengthening of businesses extroversion? How has this been reflected in the evolution of regional inequalities?
6. One of the obstacles encountered during the implementation of the NSRF 2014-2020 was the multiple ex-ante conditionalities. To what extent have these ultimately affected the effectiveness of the programme and how has this been reflected in the development of the regions?
7. According to the NSRF 2014-2020 video report, more than 20,500 business loans amounting to €2.3 billion were granted. Have these resources contributed to the increase in domestic added value? Which regions have benefited the most and which the least?
8. According to the RCI (EU Regional Competitiveness Index), Greek regions rank low in competitiveness, despite the fact that businesses are characterized by a high level of development, organization, and strategy (business sophistication) in most regions of the country (2022 data). How would you explain this?
9. What were/are the national and regional advantages that were/are being exploited during the implementation of the "Competitiveness 2021-2027" Programme?
10. Which regions of the country will show the greatest improvement and which the least in this area (competitiveness) and in which of the defined axes (strengthening research and innovation, strengthening entrepreneurship and competitiveness, improving the

accessibility of businesses to finance, developing human capital in the context of development transformation)?

11. Strengthening the extroversion of Greek businesses is a goal of the Program for the period 2021-2027. To what extent is this objective affected by the EU's objective of strengthening the competitiveness of the Single Market and the significant geopolitical developments that have taken place over the last two years (China's rise in international markets, the election of Trump and the imposition of tariffs)? Do you think that Greek businesses, inside and outside the borders, will be able to become more competitive to the extent required by international treaties?

QUESTIONNAIRE 3: DIGITAL TRANSFORMATION

PART I: COHESION POLICY & INEQUALITIES IN GREECE

1. Which programming period had the most productive results for Greece and in which sectors? Which measures have contributed to better utilization of EU funds compared to the past?
2. What do you consider to be the main reasons preventing the country from making full use of Cohesion policy funds?
3. Which interventions or tools of Cohesion Policy have contributed the most to the reduction of regional disparities in Greece?
4. Do you believe that the resources of the Recovery & Resilience Facility and the actions included in it can help the country's development? Under what conditions?

PART II: DIGITAL TRANSFORMATION IN GREECE

5. Do you think that the Information Society laid the foundations for the promotion of the Digital Convergence that followed? In which regions were the most weaknesses identified and in which did the implementation succeed the most?
6. How do you evaluate the implementation of Digital Convergence? Do you identify actions that benefited certain regions more than others (e.g. broadband infrastructure)? How was this reflected in the evolution of regional disparities (reduced or strengthened)?
7. The National Strategy for Digital Development 2014-2020 defined various areas of intervention (interoperability, open data, digital skills, smart applications, etc.). How do you assess its overall implementation? What problems were identified and especially in which regions?
8. In which of the above periods did the interventions have the most positive impact on reducing interregional inequalities? Which region has seen the greatest improvement, and which has seen the smallest?
9. In the current programming period, digital transformation belongs to the 4 funding pillars of the Greek Recovery and Resilience Plan. Based on the DESI index, Greece in 2021 was in 25th place in the EU. How do you think its course will evolve at the end of the funding?
10. Which of the regions of the country will show the greatest improvement and which the least in this area (digital transformation)? What reasons support each view?

11. Three key challenges in implementing its digital transformation policies in Greece are the low skills of citizens (digital illiteracy), the limited efficiency of the public sector and the low digital maturity of SMEs. Do you believe that one of them has more weight than another? Are current programming period actions sufficient to address them?
12. What are the reasons why the productivity of small and medium-sized enterprises has not been substantially enhanced, despite the long-standing interventions of the Cohesion Policy?
13. What is your view on Greece's future in terms of disparities between its regions, depending on the development of Cohesion Policy in the future?