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COHESION POLICY IN THE EU: EXPERIENCE FOR UKRAINE IN THE CONDITIONS OF POST-WAR RECONSTRUCTION

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Abstract. The article presents the results of research into the conceptual and applied foundations of European cohesion policy, which can be successfully tested in the conditions of Ukraine. Based on the use of a set of indicators practiced in the countries of the European Union, an analysis of the economic, social and territorial cohesion of the regions of Ukraine was carried out. Their comprehensive assessment proves the interdependence and interdependence of economic, social and territorial cohesion. It was established that a low level of social and territorial cohesion is characteristic of all administrative regions of Ukraine. Accordingly, the investment priorities defined in the cohesion policy of the European Union (innovativeness, environmental friendliness, unity, social orientation, closeness to citizens) should be strategic imperatives of Ukraine's regional policy.

Keywords: cohesion policy, post-war recovery, convergence, regional competitiveness and employment, European territorial cooperation.

Introduction. On June 23, 2022, Ukraine received the status of a candidate country for joining the EU. The war and the terrible socio-economic consequences it caused prompt Ukraine to accelerate the national agenda of European integration. The restoration and development of Ukrainian communities and regions is a function of the cohesion policy, which is responsible in the EU for the balanced development of all regions of the Community. Therefore, full-fledged membership of Ukraine in the EU opens up huge development opportunities for all Ukrainian territories (front-line, support and rear). The EU allocates more than two-thirds of its seven-year budget to cohesion policy and common agricultural policy. They are key investment policies that ensure the harmonious development of all member states and a relatively high standard of living for EU citizens regardless of their place of residence.

In order for Ukraine to successfully pass the difficult path of integration, it is necessary to have a deep understanding of both the philosophy of these key policies and the vast array of relevant EU legislation.

EU cohesion policy, launched in 1957, has played a key role in stimulating economic growth and reducing disparities between EU regions for more than six decades. It has its origins in the post-war European integration and has gone through complex reforms, each of which was aimed at meeting the new needs of the EU, each time setting higher benchmarks for socio-economic growth. It is noteworthy for Ukraine that the policy was constantly adapted to take into account the peculiarities of the new member countries and their complex socio-economic realities.

Alignment of Ukrainian state policies, legislative framework and institutional mechanisms with these key EU policies is not just a procedural requirement for membership. This is a strategic prerequisite for ensuring sustainable development, stability and well-being of Ukraine, in its extremely complex geopolitical context, for many years to come.

Literature analysis. Research on EU cohesion policy is analyzed in the document "Cohesion Policy and Common Agrarian Policy of the EU: Evolution and Review of Legislation", prepared by the team of the Project "Supporting the

Formation of Effective Regional Policy in the Context of European Integration of Ukraine and Military Challenges", which is implemented by the NGO "Institute of Civil Society" under assistance of USAID "HOVERLA". The purpose of this analytical note is to form among Ukrainian subjects, interested parties and beneficiaries of the state regional policy a better understanding of the cohesion policy and the common agricultural policy of the EU from their beginning in 1957 and 1958 until today, as well as to familiarize them with the EU legislation regarding these policies .

In the work "New regional policy of the EU: peculiarities of implementation in the context of modern challenges and risks" attention is paid to the paradigmatic changes in the regional policy of the member states of the European Union, which took place in the context of the transition from the resource distribution model of regional development to the innovation-stimulating one.

The analytical document "The Process of Ukraine's Accession to the EU in the Context of Regional and Local Development", prepared with the support of the European Union and its member states - Germany, Poland, Sweden, Denmark, Estonia and Slovenia, focuses on the process of Ukraine's accession to the EU and the experience of EU countries in cohesion policy.

However, the new realities of the development of EU member states in the conditions of Ukraine's war with Russia, the threat of new challenges associated with new waves of the pandemic, and the risks associated with them, may create new imbalances in the development of territories that require in-depth study.

Methodology. The methodology of the conducted research includes the study of regional policy and cohesion policy in the EU, which are one of the key policies and main investment instruments of the European Union, aimed at reducing regional disparities and promoting economic and social cohesion between its member states. These policies cover all European regions classified by economic, social and territorial situation.

To achieve the goal of the article, a set of general scientific and special methods was applied:

1. **Model:** The development of a model for overcoming regional disparities in Ukraine in the conditions of post-war recovery, based on the peculiarities of national socio-economic development, allows for the development of specific recommendations and strategies for the development of the socio-economic potential of regions.

2. **Interdisciplinary:** Using experience and best practices of EU member states allows to attract innovations and best practices for the context of Ukraine.

3. **Originality:** this approach allows you to use the experience and innovations of EU member states to develop a model for overcoming regional disparities in Ukraine; take into account the specific conditions of the country, allowing to attract specific recommendations and strategies for the development of regional policy; provide an original approach to the development of models that can be adapted for other EU member states and have a positive impact on regional policy in Ukraine.

Data analysis methods, policy benchmarking, and expert assessments from the relevant field will also be used. These methods allow obtaining objective data and developing strategies based on best practices for overcoming regional disparities.

Main part. The cohesion policy of the European Union, which is also called regional or structural policy, is the main investment policy of the EU aimed at promoting the economic and social well-being of EU regions and cities, as well as reducing regional disparities. EU cohesion policy covers all European regions, although they fall into different categories, mainly depending on their economic, social and territorial situation.

EU cohesion policy, launched in 1957, has played a key role in stimulating economic growth and reducing disparities between EU regions for more than six decades. It has its origins in the post-war European integration and has gone through complex reforms, each of which was aimed at meeting the new needs of the EU, each time setting higher benchmarks for socio-economic growth. It is noteworthy for

Ukraine that the policy was constantly adapted to take into account the peculiarities of the new member countries and their complex socio-economic realities [1-2].

However, the cohesion policy was not officially created at the time, as it was considered politically controversial and too ambitious. National regional development policies were in their infancy, and the prevailing belief in the Community was that interregional trade and the World Bank (created in 1944) would alleviate existing economic disparities.

For two decades, this inertia prevailed, and in 1969 the European Commission reiterated the view that regional policy is rather the internal policy of member states. The instruments created on the basis of the Treaty of Rome, including the European Investment Bank (EIB), the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGF), were at that time deemed ineffective. Their joint efforts were criticized for exacerbating rather than alleviating regional disparities, as European Commission Commissioner George Thomson claimed in the mid-1970s.

However, the 1970s ushered in changes, accelerated by the accession of the United Kingdom and Ireland to the EU, as well as the oil crisis. A conference organized by the European Commission in 1961 initiated a dialogue on the mixed success of national experience, laying the groundwork for an improved cohesion policy. The creation of the General Directorate of Regional Policy in 1968 marked a shift in focus to a policy that was still in the process of formation and for which only 3% of the EU budget was allocated. The inclusion of Denmark, Great Britain and Ireland increased regional disparities in the Community. Calls for an integrated approach to regional development began to be heard. The European Commission was obliged to prepare a report with an analysis of the regional problems of the enlarged Community as soon as possible and to provide relevant proposals for their solution.

In fact, cohesion policy was not an important political priority during the first decade of the European Economic Community (EEC). The reason was that the economic differences between the six founding countries were not very serious,

leaving Italy largely alone in its demand to strengthen policies aimed at reducing inequality between member countries [3-4].

In May 1973, the European Commission published a report on regional problems in the enlarged community, known as the Thomson Report, named after the British Commissioner for Regional Policy, George Thomson. The report emphasized that reducing regional disparities and promoting the development of less developed regions was a «human and moral imperative of paramount importance» because «no community can sustain itself or be meaningful to the people who belong to it as long as some people have a level of life is very different and there is reason to doubt the common desire to jointly help each member state to improve the conditions of its people».

This spirit paved the way for the creation of the European Regional Development Fund (ERDF), which was supposed to promote the development of industry and infrastructure. However, it was difficult to reach a consensus during the negotiations on the fund: the countries that were supposed to benefit (Great Britain, Ireland, Italy) supported the initiative, while others, in particular "net contributors" such as Germany, were reticent.

Political dynamics changed following leadership changes in Germany and France, as well as diplomatic pressure from Italy and Ireland, leading to the eventual creation of the ERDF in March 1975. However, the impact of the fund was limited for three main reasons: it was considered a compensatory measure for net contributors to the Community budget; its budget of 1.3 billion EUAs (about 5% of the EU budget) was too small to play a significant role; The Council of Ministers was responsible for determining the budget based on national quotas, which were negotiated annually between member states, without focusing on regions that were lagging behind in development. In other words, the governments of the member countries dominated the management of the ERDF [5].

Between 1975 and 1987, EU cohesion policy developed significantly, thanks to gradual reforms and strategic shifts to address new challenges. The 1979 reform

was prompted by growing regional disparities after Greece joined the EU. This led to an increase in the budget of the European Regional Development Fund (ERDF) by 50%, or about 6% of the Community budget. A "non-quota" allocation of funds was introduced, giving the Commission autonomy to support development projects not identified by national governments. This increased flexibility signaled a shift to "integrated" development programs supported by various funds with a regional focus.

After the second and third enlargements of the EEC - with the accession of Greece in 1981 and Portugal and Spain in 1985 - the need for more substantial financing of less developed member countries, aimed at reducing the gap in the level of development compared to the EU average, increased even more. However, only in 1985, with the adoption of the Single European Act, cohesion policy became a full-fledged EU policy aimed at completing the formation of the internal market and supplementing it with social and redistributive policies taking into account the geographical factor. A completely new chapter was added to the Treaty establishing a Constitution for Europe (which was never ratified), which then became part of the Treaty on the Functioning of the European Union (TFEU), known as the Treaty of Lisbon. It is about Chapter XVIII, articles 174-178. Article 174, which formulates the general principles for the implementation of economic and social cohesion of the EU, states the following: "In order to promote its overall harmonious development, the Union develops and implements measures aimed at strengthening its economic, social and territorial cohesion. In particular, the Union aims to reduce disparities between the levels of development of different regions and the backwardness of regions that have the least favorable conditions [6].

In the Multiannual Financial Framework (MFF), known as the Delors I package, which covered the 5-year period 1988-1992, cohesion policy received a significant boost not only in terms of financing, but also in terms of its implementation. It was a period when cohesion policy evolved from simple financial support for individual projects to a much more complex policy instrument based on

more demanding implementation principles such as multiannual programming, partnership and complementarity. In 1992, the fourth Cohesion Policy Fund - the Cohesion Fund (FZ) - was created to finance projects to improve the environment and transport infrastructure in member states whose gross GNP per capita is less than 90% of the EU average. The creation of this fund completed the formation of the institutional architecture of EU cohesion policy for the next thirty years.

The reform of the EU's cohesion policy, which took place in 1993, was critically important. It took place in tandem with the implementation of the Maastricht Treaty (February 1992), which played an important role in laying the foundations for the Economic and Monetary Union (EMU). The reform emphasized the key role of cohesion policy in mitigating regional socio-economic disparities, which was a key element in facilitating a smooth transition to the single currency. The reform also addressed problems in the work of the funds and provided for the accession to the EU of Finland, Sweden and Austria in 1995 [7].

The reform of 1999 was caused by the entry into the EU of the countries of Central and Eastern Europe (CEE) and the implementation of the Economic and Monetary Union (EMU). Enlargement, in particular, prompted changes in regional policy to accommodate new members whose welfare levels were significantly lower than those of the EU-15. Eastward enlargement has become a more serious challenge for the EU than the previous ones. In fact, the richest candidate country, Slovenia, had a per capita income of around 70% of the EU average.

The reform of EU cohesion policy in 2007 marked a significant shift resulting from the eastward enlargement of the EU and the goals set out in the new Lisbon agenda. Eastward enlargement meant that the EU now included countries with a much lower level of economic development, thereby increasing regional disparities within the EU. This raised concerns among wealthier member states, who feared the transfer of significant resources to these new, less wealthy members. There was an obvious dichotomy of interests: some countries wanted to increase spending on cohesion policy, while others opposed the budget increase.

The 2014 Cohesion Policy reform also took place during a period of change. In particular, the approval of the Lisbon Treaty in December 2007 created a new legal context in which this reform took place. Article 174 of the Treaty on the Functioning of the EU (TFEU) recognized cohesion policy as one of the main instruments aimed at promoting the "general harmonious development" of the EU. In addition, Art. 4 TFEU classified cohesion policy as a shared competence between the Union and the Member States, and Article 175 TFEU changed the legislative process in the field of cohesion policy from the traditional "consent procedure" to the new "ordinary legislative procedure", giving the European Parliament a more decisive role [8].

Key political events of different periods are listed in Table 1.

Table 1

Key events of EU cohesion policy

Period	Key events
BIRTH: 1957–1975	The Treaty of Rome and the First Obstacles (1957) Absence of a formal cohesion policy and institutional resistance (1957-1969) Introduction of the EIB, ESF and EFSI (late 1960s) Transition to cohesion policy (early 1970s) Creation and Challenges of the ERDF (1973-1975) ERDF: Struggle for Implementation and Management (1975)
FORMATION: 1975–1987	ERDF budget increase and reform (1979) The 1984 reform and the evolution of the ERDF The impact of the accession of Spain and Portugal (1986) Adoption of the Single European Act (EEA) (1986) The Delors I package and the reform of structural funds (1987) Reform 1988: creation of European regional policy
REFORM of 1993	The 1993 reform and the Maastricht Treaty Creation of the Cohesion Fund View goals Strengthened partnership and simplified procedures Introduction of new Community Initiatives
REFORM of 1999	The context of the 1999 reform Agenda 2000 and political priorities Structural funds: efficiency improvement and simplification Delegation of powers to the national and subnational level Transitional assistance and new priorities Transformation of Community Initiatives (CI)
REFORM of 2007	Extension calls Budget allocations and new goals The goal "European Territorial Cooperation" Financial allocations and beneficiary states Integration with other EU policies and new support tools

REFORM of 2014	<p>Review of the legislative framework</p> <p>Responding to the economic crisis</p> <p>Alignment with the Europe 2020 strategy</p> <p>Categories of regions and budget debates</p> <p>Introduction of the European Structural and Investment Funds (ESIF)</p> <p>Partnership agreements and operational programs</p>
COHESION POLICY IN 2021-2027	<p>Policy goals</p> <p>Investments are aimed at creating jobs, growth and territorial cooperation - the two main policy objectives: "jobs and growth", "European territorial cooperation" and the five objectives of cohesion policy: smarter, greener, connected, social and closer to people of Europe.</p> <p>Financing</p> <p>One third of the EU budget or 378 billion euros will be used for cohesion policy. In total, EUR 545 billion of total investment will be attracted through national co-financing.</p> <p>Beneficiaries</p> <p>The policy is for all regions, but the less developed will receive 70% of ERDF and ESF+ funds. The Cohesion Fund (CF) will support 15 cohesion countries in the areas of environment and trans-European networks.</p> <p>Programming</p> <p>379 new cohesion policy programs will help EU regions achieve policy goals. Programming was delayed due to COVID-19 and the war in Ukraine.</p> <p>Economic impact of politics</p> <p>Cohesion policy interventions will increase EU GDP by 0.5% by the end of the implementation period in 2029. 25 years after the start of the program period, each euro invested in the policy will generate 2.8 euro of additional EU GDP, corresponding to an annual rate of return of around 3.4%. Employment will increase by 0.64% in 2027, corresponding to approximately 1.3 million additional jobs.</p> <p>Policy objective 1: Smarter Europe - EUR 73 billion</p> <p>Policy objective 2: A greener Europe - €92 billion</p> <p>Policy objective 3: United Europe – €40 billion</p> <p>Policy objective 4: Social Europe - 111 billion euros</p> <p>Policy objective 5: Bringing Europe closer to citizens - EUR 19 billion</p> <p>The Just Transition Fund (JTF) - 19.7 billion euros</p> <p>Focus: supporting the regions most affected by the transition to climate neutrality.</p> <p>Interreg - 10 billion euros</p> <p>Focus: Expansion of European territorial cooperation.</p>

The essence of the EU's cohesion policy has always been to support the EU's political priorities. In the BFR in 2000-2006 and 2007-2013, the main meaningful

priority was the effective implementation of the Lisbon Strategy aimed at increasing, growing, creating jobs and productivity, and in the last years of this period, also at combating the negative consequences of the financial crisis. It was also the period when the EU fully integrated the 13 new member states from Central and Eastern Europe, all of which were less developed than the EU member states, into the EU's cohesion policy. The most recently completed MFFs for 2014-2020 were essentially focused on supporting the Europe 2020 goals of smart, sustainable and inclusive growth [9].

The main principles of EU cohesion policy funds management are presented in Figure 1.

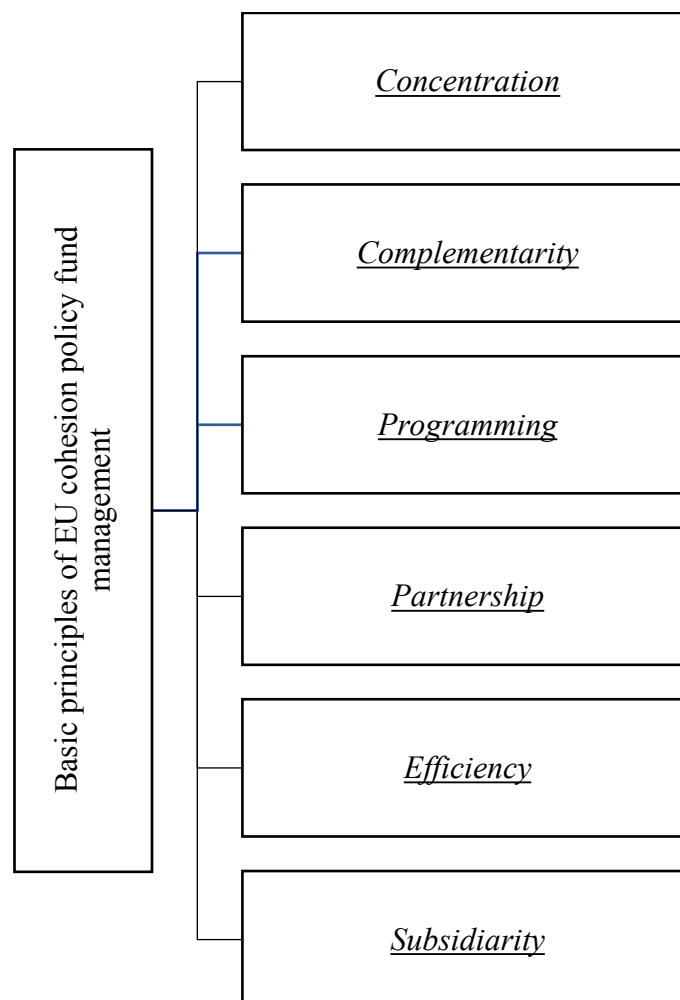


Figure 1. Basic principles of EU cohesion policy fund management [8]

The expenditure part of the EU budget is focused on two large items - agriculture and cohesion policy - each of them accounts for approximately one third of the total EU budget expenditures in the BFS for 2021-2027. As shown in Table 2, cohesion policy has already allocated more than 20% of the total of EU budget expenditures from the first BFF, which covered the period 1988-1992. Later, as a result of the large-scale expansion of the EU to the East, the share of cohesion policy increased to more than a third of the EU budget and has remained at this level since then.

Table 2

Evolution of EU/EU cohesion policy as an expenditure item of the EU budget
(as a percentage of total EU budget expenditure) [9]

1988-1992	1993-1999	2000-2006	2007-2013	2014-2020	2021-2027*
21,7	33,2	34,7	35,6	33,9	30,5

* Only BFR for 2021-2027.

Cohesion policy in 2021-2027 continues to play a decisive role for the future of the EU - it implements a third of the long-term budget of the European Union as part of the multiannual financial program for 2021-2027. EU support of €378 billion is expected to lead to €545 billion in investment, including national co-financing. In the 2014-2020 programming period, cohesion policy funding accounted for almost 14% of total public investment in the EU as a whole and 52% in the 15 cohesion countries (countries financed from the Cohesion Fund).

Cohesion policy will make a major investment contribution to the development of all European regions thanks to its territorial approach. The focus of attention for the new program period is green and digital transitions and the desire to leave no one behind, in accordance with the European Framework of Social Rights.

Cohesion Policy should help the EU and its Member States achieve the three 2030 outcomes agreed at the Porto Summit in 2021:

- increase in quality employment to 78%;

- encouraging the participation of at least 60% of adults in education every year;
- reducing poverty by 15 million people, including at least 5 million children.

In addition, cohesion policy aims to mitigate the effects of the demographic transformation, which leads to a shrinking working-age population. It will provide targeted assistance, including addressing inefficiencies in the labor market, education, vocational training and adult learning, as well as improving innovation and efficiency in public administration, the business environment and increasing the level and access to services.

Conclusions. Although the cohesion policy has contributed to the reduction of economic, social and territorial inequality of EU member states in recent years, the current realities and risks associated with war and subsequent waves of pandemics may create new imbalances. The answer to the new challenges of EU regional policy should be sought in three directions:

1. Increasing stability and the ability to respond to asymmetric shocks. The pandemic and the war in Ukraine have highlighted that cohesion policy must be flexible and able to respond to unexpected shocks associated with, for example, globalization and technological change. Regions highly dependent on a few narrow sectors of trade goods and services are particularly vulnerable. Diversification of economic activity, particularly through digital transformation, combined with area-specific policies (such as smart specialization strategies) can help regions become more productive and less vulnerable to shocks.

2. Assistance to regions in responding to demographic changes. Businesses will have to adapt to the shrinking workforce by hiring more people from "lower" employment groups (such as youth, women and migrants from non-EU countries) and by increasing investment in innovation, technology to make work easier and increase work efficiency, as well as in the education of adults, in particular the elderly and low-skilled workers, which would help achieve the goals. Primary and

secondary schools will have to adapt to fewer students, and other public service systems, including health care, will serve an increasing number of older people.

The transition to a climate-neutral, circular economy, protecting the environment, restoring natural resources and reducing pollution will bring many benefits, but the associated costs must be fairly shared. The Just Transition Mechanism could be expanded to take into account the social costs of climate change mitigation and adaptation, as well as costs of other environmental challenges (including better anticipation of structural change), poverty reduction, investment in skills and close cooperation with social partners and civil society.

Discussion. Summarizing, it should be noted that Ukraine is characterized by a fairly high level of regional differentiation by level of development. A comprehensive assessment of a set of indicators proves the interdependence and interdependence of economic, social and territorial cohesion. A higher level of economic development forms the basis for the creation of favorable social conditions and environment of the region, activation of its communications with other territorial units and intra-regional connections. This proves the objective need to increase the economic cohesion of all regions of Ukraine, as a basis for minimizing disparities in social development, strengthening unity and overcoming socio-cultural and other conflicts. The results of the factor analysis also testify to the significant dependence of the economic state of the region on the level of innovative activity. At the same time, a low level of social and territorial cohesion is characteristic of all administrative regions of Ukraine. This proves that the priorities defined in the cohesion policy of the European Union (innovativeness, environmental friendliness, unity, social orientation, closeness to citizens) should be strategic imperatives in the conditions of Ukraine as well. Being implemented within the regional framework, the cohesion policy should be implemented transparently, with clearly defined goals, tools and conditions for supporting local initiatives, based on the consolidation of state resources and territorial communities.

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