

EU Cohesion policy, the puzzle of economic performance among Spanish autonomous regions, and a new research agenda.

1. Introduction

Cohesion policy in the European Union stands at a crossroads. Amid the general feeling that distributive policies should be mobilised to support the EU's new priorities (e.g. competitiveness, defence, green transition) (Darvas et al. 2026, Di Carlo et al. 2026, McNamara 2023), together with the growing gap between 'the regions that don't matter' and the more dynamic economic centres (Rodríguez-Pose 2018, Diemer et al. 2022), questions arise regarding the future of regional policy in the EU and the design of the upcoming 2028-2034 multiannual financial framework. For scholars, the debate has moved from the identification of regional divides in Europe to untangling the conditions under which cohesion policy is effective (Fratesi and Wishlade 2017, Mascioli 2025). The question has become more so relevant now that cohesion and convergence regions are seen as less of a priority that will need to be pursued with less resources (Filippetti & Spallone 2025).

We contribute to these debates by focusing on the case of Spain. The country appears as a relevant, yet understudied case of cohesion policy. Despite being the second largest recipient of funding, it has not only failed to converge to the EU average, but in fact has diverged since the turn of the century. Moreover, the country also records the lowest absorption rates of all the Union for both the 2014-2020 programming period and the current one. Its autonomous regions also vary greatly on several important metrics of regional development (labour productivity, employment, innovation, etc.) as well as other relevant factors like institutional quality or political stability. The country thus provides a fertile ground for comparison to explore which conditions lead to a more (or less) effective use of cohesion funds, while keeping other factors common to all the country constant, e.g. macro-economic shocks, spending rules, etc.

In this paper, which we conceive as the first in a series on cohesion policy in Spain, we aim to set a research agenda around what we consider an intriguing puzzle: economic performance among autonomous regions is not well explained by the core set of factors traditionally identified by the literature; namely, institutional quality, political stability, and capability building. To show this puzzle, we focus on the performance of those regions having received the most cohesion funds per capita over during the 2000-2020 period. As such, our guiding research question is *which factors have led to stronger economic performance among cohesion-funded regions in Spain?* Using simple descriptive metrics, we show how three set of factors traditionally identified by the literature — institutional quality, political stability, and capability building— do not cast a clear picture

differentiating well-behaved students from worse performers. Specifically, different measures of institutional quality do not map well onto economic growth; politically unstable regions outperform their stable peers; and while balanced-growth regions have indeed managed to build more capabilities, they have not necessarily been more efficient at it or have done so for all the types of basic capabilities.

The paper proceeds as follows. Section 2 summarises the state of the art in cohesion policy literature, looking at the broader trends in regional development in Europe and stating the relevance of our three factors of interest: institutional quality, political stability, and capability building. Section 3 then contextualises Spain's economic path over the last 25 years. Beta and sigma analysis show that while inter-regional inequality within Spain has decreased, the process is not the product of catch-up from below, as economic theory would predict, but rather a compression from above. An overview of the indicators of regional development traps (Diemer et al. 2022, Bachtrögler-Unger et al. 2024) then enlightens the differences between regions. With section 4, we show how simple metrics of our three set of factors of interest relate to the performance of the regions having received most cohesion funds. Finally, section 5 concludes by outlining the priorities for a research agenda on the Spanish puzzle.

2. Rethinking cohesion policy to overcome differentiated convergence

Since 1988, when cohesion policy was upgraded to its current shape, there has been a well-fed, ongoing debate about its effectiveness in fostering economic convergence across territories. Darvas et al. 2021 have identified over a thousand papers on the matter, offering mixed results (see Becker et al. 2012, 2013, 2018, Iammarino et al. 2019).

At the macro level, the resulting picture is one of what we call *differentiated convergence*. European regions have generally converged in GDP per capita and other measures of standards of living. Still, they have done so at different paces, leaving behind important spatial differences, both between macro-regions in Europe (Western and Northern Core, Central and Eastern Europe, and Southern Europe) and within countries themselves (left behind places vs. dynamic economic centres). On the one hand, cohesion policy is often perceived as a pillar of the spectacular catch-up story of Central and Eastern European economies following their transition to a market economy and their accession to the Union and the single market, further boosted by their FDI-led growth model (Baccaro & Ponthusson 2016, Vukov 2023). As some scholars argue (see Bohle & Greskovits 2012, Genschel & Jachtenfuchs 2025), cohesion funds have been particularly vital in offsetting the structural disadvantages of regulatory harmonisation, whose stringent standards pose greater

compliance challenges for smaller firms in emerging economies. On the other hand, cohesion policy has not impeded the economic stagnation of Southern economies, where the largest recipient regions are located. As Table 1 shows, while the wealthier regions of the European core have grown slower, as predicted by economic theories of growth and convergence (Sala-i-Martin & Barro 1992), the less developed regions of Southern Europe have stagnated, diverging from the average. Notably they have now been surpassed by some of the best performing Central and Eastern Europe member states.

Table 1 - Differentiated convergence in the EU

GDP per capita as a share of the EU average in selected countries and years

		2000	2010	2023
<i>EU-15 growing at a slower pace, converging downwards to the average...</i>	France	115.0	110.8	104.2
	Germany	122.2	121.7	117.6
	Italy	122.4	107.7	98.7
<i>... as richer Spanish regions do</i>	Navarre	121.2	111.5	102.3
	Catalonia	114.7	106.0	98.5
	Balearic Islands	118.1	96.4	94.0
<i>EU-12 rapidly catching-up...</i>	Czechia	72.7	86.6	90.2
	Slovenia	73.6	83.8	90.3
	Poland	45.3	59.5	79.8
	Estonia	50.6	66.8	78.8
<i>... and less developed regions and MS in Southern Europe lagging behind, <u>diverging</u> from the rest of Europe.</i>	Spain	94.1	90.5	85.7
	Portugal	85.2	80.2	77.9
	Greece	75.7	81.5	67.1
	Andalucia	70.0	68.8	64.1
	Castilla-La Mancha	75.5	73.8	69.4
	Canary Islands	88.3	75.8	67.1

Note: GDP per capita in constant PPP USD (2020 base) as a share of the EU-27 average. Source: OCDE, Regional Statistics.

Beyond this Core-East-South divide, the paths and fortunes of European regions have also been marked by what Diemer et al (2022) call *regional development traps*: the growing gap between the prosperous economic centres and the rest of regions “unable to retain [their] economic dynamism in terms of income, productivity and employment” (Diemer et al. 2022, p.489). This growing gap is persistent across all EU countries, both the successful eastern ‘catchers’, the laggard southerners, and the western core (see Gorzelack 2016). As Alcidi et al. (2018) show, the story of European convergence in the 21st century is a tale of two speeds: one in which member states generally converge due to the rise of Central and Eastern Europe, despite the stagnation of Southern Europe, and another one in which inequality between EU NUTS2 regions has not diminished, but in fact moderately grown since the early 2010s. Agglomeration economies imply that dynamism tends to concentrate in a small number of technologically specialised regions within each member states, while intermediate and formerly industrial regions —not only remote rural ones (Mascioli 2025)— are frequently the ones left behind (Rodríguez-Pose 2018; Iammarino, Rodríguez-Pose & Storper 2019).

Considering this process of *differentiated convergence*, the analysis at the meso and micro levels has turned to the conditions under which cohesion policy is effective (Fratesi and Wishlade 2017, Mascioli 2025). Two approaches have been dominant. A first strand of literature has focused on how cohesion policy is designed. In this context, scholars and policymakers have argued over the merits of both a place-based and a mission-led approach to cohesion policy. The former, popularised in the Barca (2009) report, advocates for local, tailored-based solutions that promotes opportunities for the whole of the continent, especially left-behind places. In practice, place-based approaches were favoured during the 2014-2020 period through smart specialisation strategies (S3). By contrast, mission-led approaches, which conceptually built on the work of Mazzucato (2013, 2018, 2021), and have been introduced during the current 2021-2027 period, prioritise the fulfilment of societal goals that go beyond territorial cohesion (e.g. competitiveness, environmental sustainability), mobilising the actors best positioned to respond to such challenges. As such, the mission-led approach tends to concentrate investment where it promises the greatest gains, often deviating funds from left behind places to already dynamic areas. This has been confirmed by recent studies (see Casas et al. 2026) showing mission-led policies tend to increase economic output and regional inequality simultaneously.

Yet, beyond the debate between both approaches, critics argue that overall, awarding criteria have generally orientated resources towards existing growth poles, thereby reinforcing territorial polarisation (Iammarino et al. 2019). Rodríguez-Pose & Bartalucci (2026) warn this phenomenon could become more acute under the Commission’s current proposal for the 2028–2034 multiannual financial framework, which envisages folding cohesion funding into broader, less territorially targeted national and regional partnership plans.

The second strand of literature tackling the ‘under what conditions’ question has focused on the implementation side of cohesion policy. Authors in this line argue there are several factors that are necessary for cohesion funding to be effective beyond the intricacies of policy design. In this paper, we focus on three such sets of factors: institutional quality, political stability, and the capacity to develop capabilities for economic growth.

First, the broader neo-institutionalist movement (North 1990, Acemoglu & Robinson 2012) and its defence of the importance institutional quality for regional development, has been quite influential in the cohesion literature. Institutional quality is generally understood, following North's (1990) canonical definition of institutions as the "rules of the game," as the degree to which a government's institutions are impartial, incorrupt, and effective at delivering public goods and enforcing rules consistently — as opposed to being captured by narrow private or political interests.

In the European context, this concept has typically been operationalised through measures of quality of government: low corruption, impartial treatment of citizens by public administration, and high-quality public services (Charron, Dijkstra & Lapuente 2014). The initial works by Charron, Dijkstra & Lapuente (2014) found that the quality of institutions, as measured by the European Quality of Government Index (EQI) — an index based on citizens' perceptions of their governments— is highly correlated with sub-national levels of socio-economic development and levels of social trust. In the context of cohesion funds various studies find that only regions with stronger institutions can use the funds effectively, with lasting impacts on growth and innovative capacity (Becker et al. 2013, Rodríguez-Pose & Garcilazo 2015, Rodríguez-Pose & Di Cataldo, 2014). This is especially important given cohesion funds have decreasing marginal return: after a certain threshold of funding, they are less effective in promoting growth; high-quality institutions allow to overcome such decreasing returns (see Becker et al. 2012, Cerqua & Pellegrini 2018, Fiaschi, Lavezzi & Parenti 2018). Other studies have used different indicators than Quality of Government index to capture institutional quality: Bachtrögler-Unger et al. (2024) employ broader indicators such as infrastructure endowment, private investment in manufacturing, and tertiary educational attainment; Terracciano & Graziano (2016) focus on administrative capacity and core aspects related to the management of EU funds such as programming, evaluation, staff organisation and coordination, and spending monitoring, finding that better management practices lead to better outcomes in terms of absorption, economic output and productivity. As such, when comparing those Spanish autonomous regions that have received most funds, our expectation is that those with stronger institutions have been able to achieve better economic performance.

H1: Autonomous regions with better institutions have used funds more effectively.

A second strand draws attention to the stability of governments and political systems. Early studies (Alesina et al. 1996) found a positive relation between political stability and economic growth at a global scale. Focusing on advanced economies —where instability is not linked to weak institutions but other aspects of the political system such as a fragmented party landscape— Dirks & Schmidt (2025) claim that small increases in political instability can significantly lower economic output. However, this direction is not uncontested. From a theoretical standpoint, Olson (1982) famously claimed that stability is often translated into entrenched interests that disincentive developmental policies, with recent empirical studies pointing in this direction (see Kim et al. 2026). In the context of cohesion policy, Cunico et al. (2022) argue that lower absorption rates can be explained by decision-making traps due to political fragmentation and long-term instability, potentially prompting local decision-makers to pursue short-term results to secure their political position rather than invest in long-term administrative capacity. Several case studies focusing on Italian regions have confirmed these trends (see Aiello et al. 2019, Milio 2008).

Yet, in Spain, the role of political instability in cohesion policy remains underexplored despite a notable degree of heterogeneity across regions. Bettarelli, Reiljan & Van Haute (2022) find that Spain displays the highest within-country variation in affective polarization in their entire European sample for the 1996 - 2019 period. Benítez et al. (2024) have made great contributions by systematically capturing the varying levels of parliamentary fragmentation across Spanish autonomous regions. Carozzi, Cipullo & Repetto (2022) find that it has tangible, negative impacts on government survival at the local level in Spain. However, the direction of party fragmentation is contested. Coller & Sánchez-Ferrer (2024), using data from regional parliaments, find that the most divided and fragmented parliaments show a greater tendency to cooperate. Still, to the best of our knowledge, there is no work linking these factors to economic performance across autonomous regions. Tentatively, we expect that politically stable regions exhibit higher economic growth rates over the long run.

H2: More politically stable regions have achieved stronger economic performance.

A third strand of literature —spanning regional development, economic geography and developmental-state scholarship— converges on the central importance that the accumulation of capabilities has for sustained growth. Building on the classic developmental-state literature (Johnson 1982, Wade 1990, Amsden 1989, Evans 1995), Breznitz (2007, 2021) argues that successful regions are not necessarily those that chase startup-focused radical innovation, but those that identify and specialise in the specific stage of the global innovation value chain that matches their existing capability base. Marengo & Moretti (2025) extend this thinking into a more granular list of core

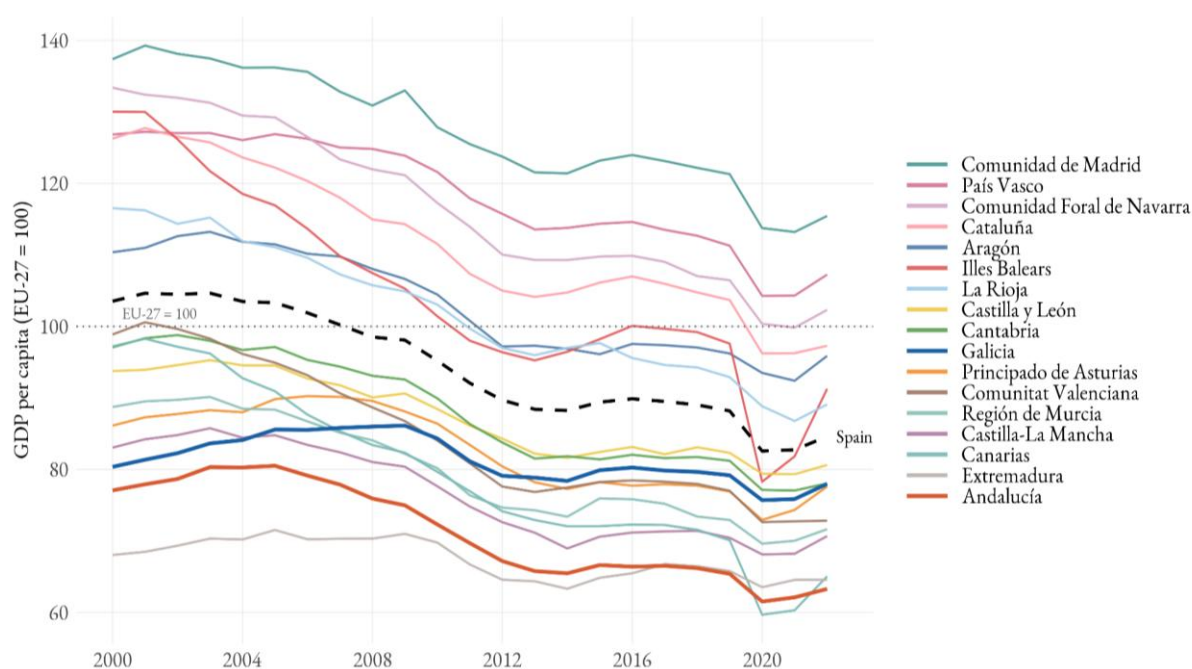
capabilities, including human capital availability, access to infrastructure, and access to inputs and suppliers. This resonates with the literature in evolutionary economic geography (Hidalgo & Hausmann 2009, Frenken, Neffke & van Dam 2023) which models regional development as a process of related diversification: regions grow by recombining existing capabilities (human capital, infrastructure, institutional coordination capacity, access to specialised suppliers) into increasingly complex economic activities. This literature hence cautions against reducing regional divides to a simple urban–rural dichotomy (Mascioli 2025): low-density regions can be successful to the extent they manage to place themselves within value chains by developing core capabilities (see Gescher et al. 2026). Moreover, it also follows Lerner's (2009) warnings. To avoid being caught in his so-called 'boulevard of broken dreams' developing such capabilities requires an effort that goes beyond the mere provision of inputs (e.g. more financing for R&D, more university places for future students, etc.), one that transforms the latter into outcomes (e.g. more patents, higher output per worker). As such, building capabilities should be measured both by outcomes and the efficiency at which government succeed at transforming inputs into outcomes. Hence, we expect that autonomous regions building such capabilities achieve higher economic growth.

H3: Autonomous regions building core capabilities have experienced stronger economic performance.

3. Convergence, divergence, and development traps among Spanish autonomous regions

Since the early 2000s, Spain has undergone a prolonged and sustained decline in real GDP per capita relative to the EU average, with only a mild recovery in the very last years. This process' starting point coincides with the accession of Central and Eastern European member states and transcends the twin Eurozone and global financial crises. As Figure 1 below shows, no single autonomous regions can claim a strong record over the whole period under consideration. With such caveat, some autonomous regions did resist better than others. Tourism-driven Canarias and Illes Balears record the sharpest drops. An interesting comparison is given by Galicia and Andalucía, which initially stood at similar levels in 2000, and markedly diverged from the mid-2000s onwards. Extremadura, without any impressive growth trajectory, has nevertheless closed the gap to Andalucía and Canarias. Castilla-La Mancha, which as we shall see has built a growth model based on both efficiency gains and an increasing labour force, has not translated that into faster GDP per capita growth.

Figure 1 - The long-term relegation of the Spanish economy since the year 2000



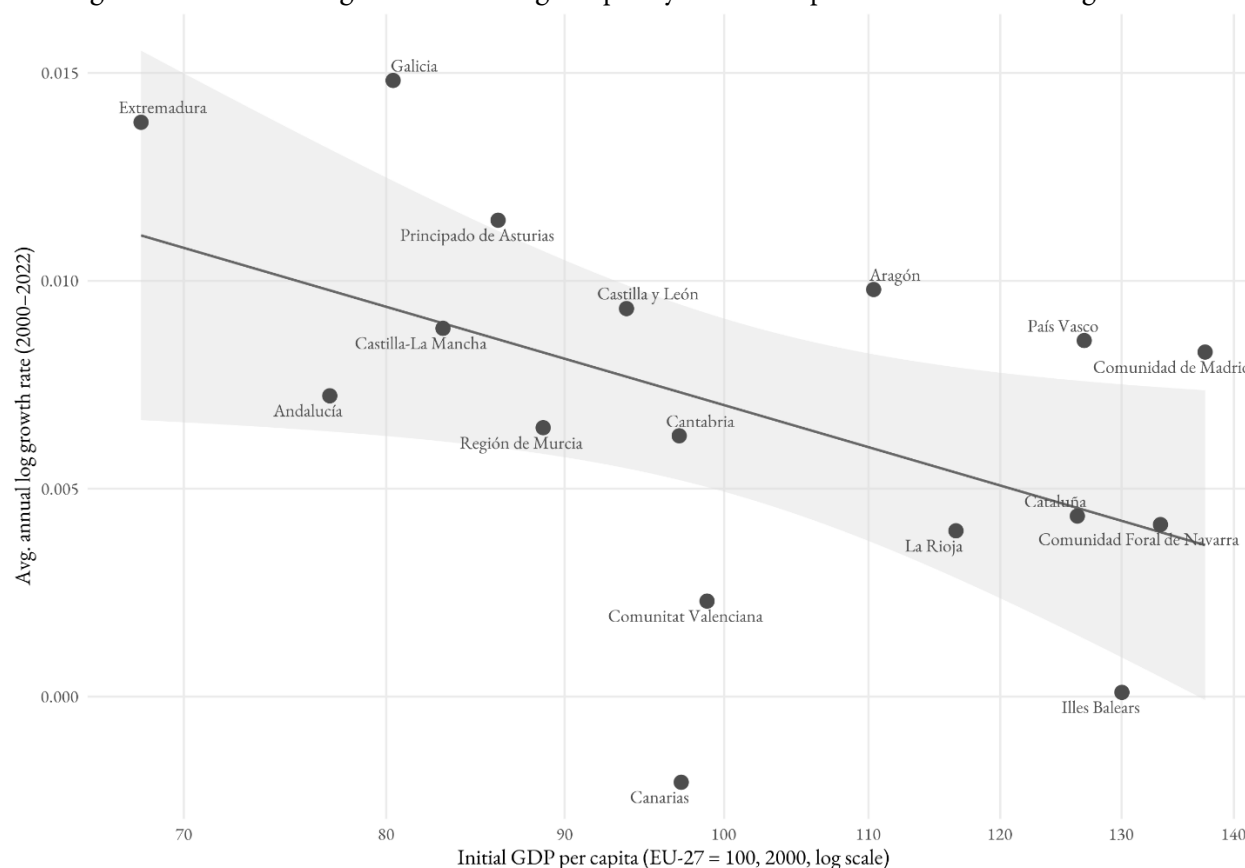
Note: GDP per capita in constant PPP USD (2020 base) as a share of the EU average

Source: own elaboration based on OECD, Regional Statistics

Sigma and beta analyses (Barro & Sala-i-Martin 2004) shed light on these dynamics. Sigma convergence measures whether the dispersion of GDP per capita across regions decreases over time. Beta convergence measures whether poorer regions have grown faster than richer ones. Regarding sigma convergence, the cross-regional standard deviation of GDP per capita over the 2000-2020 period fell from 21.9 to 15.8 percentage points. Beta analysis shows that such convergence was largely driven by a compression from above, with richer regions losing ground, rather than a catch-up process from below. The slope on log initial income is negative and significant ($\beta = -0.011$, $p = 0.039$), with an implied speed of convergence of 1.21% per year and a half-life of approximately 57 years.

This pattern of compression from above rather than catch-up from below illustrates the aforementioned process of differentiated convergence in Spain. Wealthier regions (e.g. Navarre, Catalonia) have behaved much like other advanced European counterparts, converging downwards towards the EU average. Conversely, poorer regions, while resisting better than their wealthier peers, have failed to catch up and, in fact diverging further from the EU average since 2000. Moreover, important regional differences based on development traps persist despite higher GDP per capita growth. As Diemer et al. (2022, p.493) succinctly put it, “lack of economic dynamism and stagnation in many developed areas of the world does not exclusively manifest itself in terms of GDP per capita.”

Figure 2 – Beta convergence: decreasing inequality between Spanish autonomous regions



Source: own elaboration based on OECD, Regional Statistics

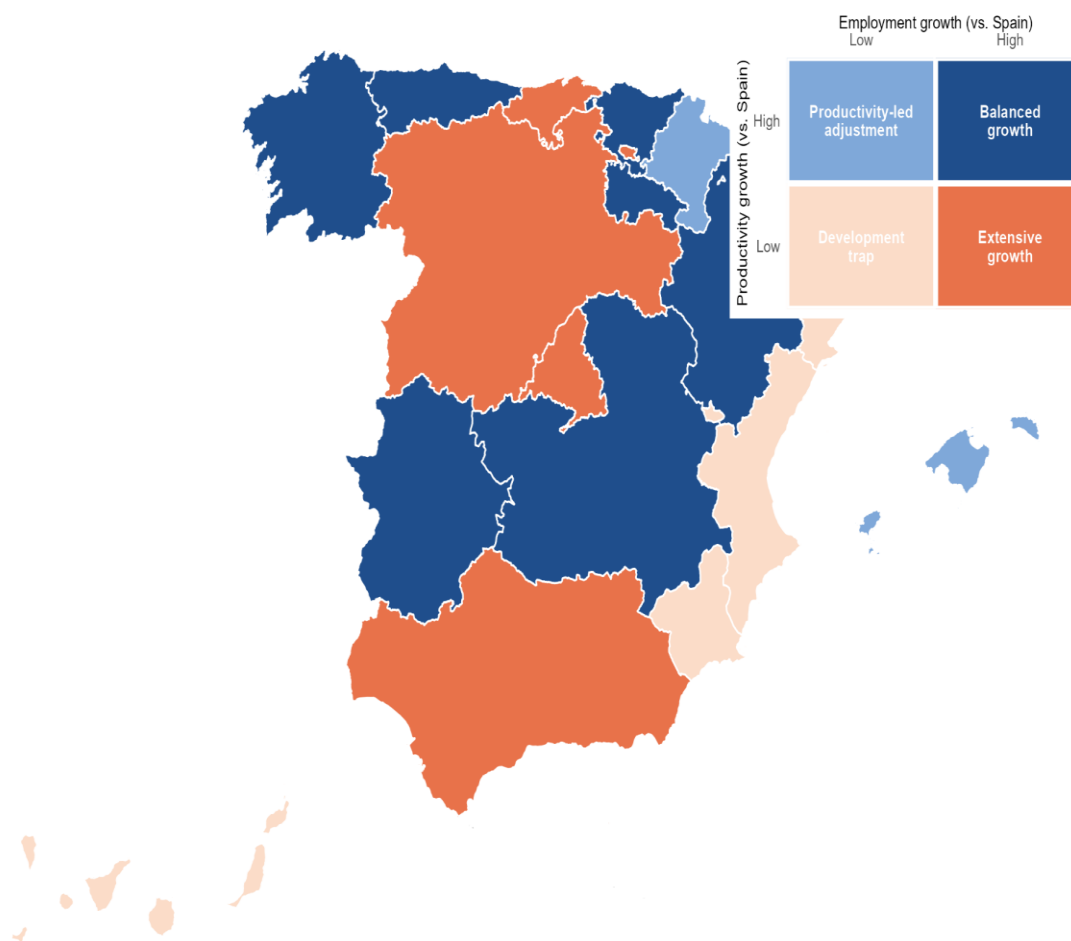
A further look into the other two core indicators of development traps, labour productivity and employment to population ratio, clusters regions into four different groups:

- i) those that achieved *balanced growth* by growing above the EU average in terms of both labour productivity and employment,
- ii) those that had both lower employment and labour productivity growth than the EU, potentially caught in *development traps*,
- iii) those that experienced *extensive growth*, based on an expanding labour force rather than on genuine productivity gains, and
- iv) and those that despite not managing to increase employment to the rates of the EU, did experienced strong productivity growth (*productivity-led adjustment* regions).

As Figure 4a shows, when benchmarking Spanish autonomous regions against each other, their performance transcends the usual rural-urban divides. Extremadura, Castilla-La Mancha, La Rioja, or Asturias, neither of which benefit from large urban centres, have achieved the most balanced growth, outpacing peers in terms of employment and labour productivity growth. They

are also some of the largest beneficiaries of cohesion policy funding. On the other hand, Catalonia and Comunitat Valenciana, despite their dynamic urban areas, exhibit the weakest performance, which adds to their poor GDP per capita growth. Together with Canarias and Murcia they are the four regions caught in development traps.

Figure 4a - Spanish autonomous regions benchmarked against each other, 2000-2022



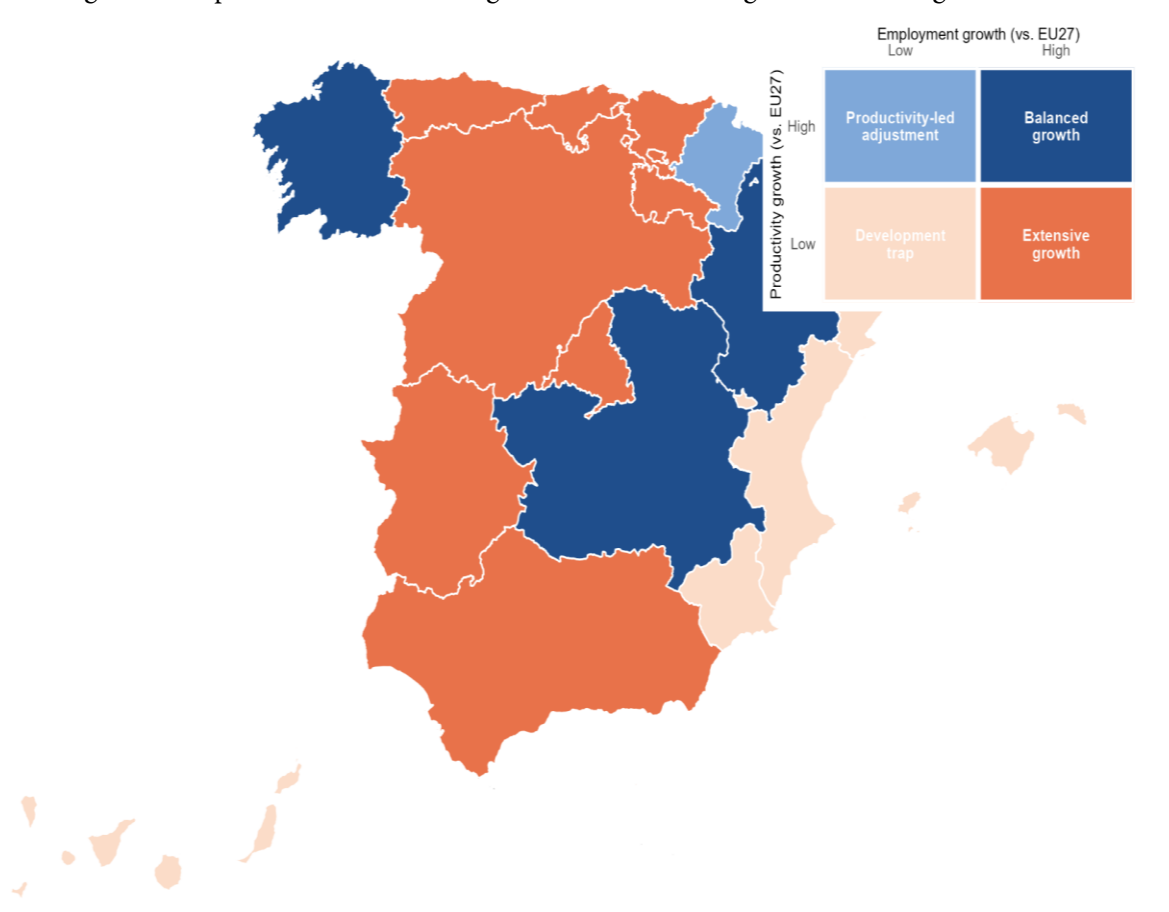
Source: Own elaboration based on OECD (2026) and Eurostat (2026)

The story, however, becomes more nuanced when comparing autonomous regions to the EU average (Figure 4b). Only three regions achieve balanced growth (Aragón, Castilla-La Mancha, and Galicia). The productivity gains of many regions (Asturias, Extremadura, La Rioja, País Vasco) blur when benchmarked against the EU— their growth model relies more on the expansion of the labour force than on strong efficiency gains.

Nevertheless, these metrics do not account for demographic dynamics. Population growth statistics reveal that it is precisely in regions where employment and labour productivity have risen the most that demographic growth has stagnated. Galicia, Extremadura, or Asturias have all lost population since the mid-2010s. Conversely, those autonomous regions caught in development

traps (Región de Murcia, Canarias, Comunitat Valenciana) have experienced higher demographic growth.

Figure 4b - Spanish autonomous regions benchmarked against EU average, 2000-2022



Source: Own elaboration based on OECD (2026) and Eurostat (2026)

The debate on how population loss relates to economic stagnation is very much alive, both in the context of regional policy (Gescher et al. 2026) and globally declining fertility rates (Acemoglu et al. 2026, Fernandez-Villaverde et al. 2025). In Spain, however, both the academic (Collantes & Pinilla 2019) and public debate (Del Molino 2013, Simón 2020) have tended to see demographic decline as an undisputable symptom of *emptied Spain's* decline. Data on regional performance suggests this relation is not as immediate or evident as it appears (Bandrés & Azón 2021). Aragón, Castilla-La Mancha, or Galicia, with no sustained demographic growth since the early 2010s, have managed to develop a balanced growth model, outpacing both national and EU regions. A closer look on these regions should shed light for future research. One possible factor could be that they all three have a strong industrial sector with important manufacturing and logistics clusters (López Calle et al. 2023, Rísquez Ramos & Ruiz-Gálvez 2024) that could well be driving their region's aggregate output. An alternative explanation is that in all three cases there exist strong disparities within the region: 'empty' Teruel vs. Zaragoza in Aragón, Toledo and Guadalajara benefiting from

Madrid's agglomeration economies in Castilla-La Mancha, and the divide between the Atlantic front and the backcountry in Galicia.

4. Institutional quality, political stability, and capability building in autonomous regions

In this section we turn to the role of three sets of factors —institutional quality, political stability, capability building— in explaining the performance of regions that have received substantial cohesion policy funds. The latter include: Extremadura, Asturias, Castilla-La Mancha, Galicia, Andalucía, Castilla y León, Canarias, Cantabria and Murcia. On average, they have all received more than € 130 per citizen per annum over the entire 2000-2020 period. Together with Comunitat Valenciana, they are also the regions below the national GDP per capita average.

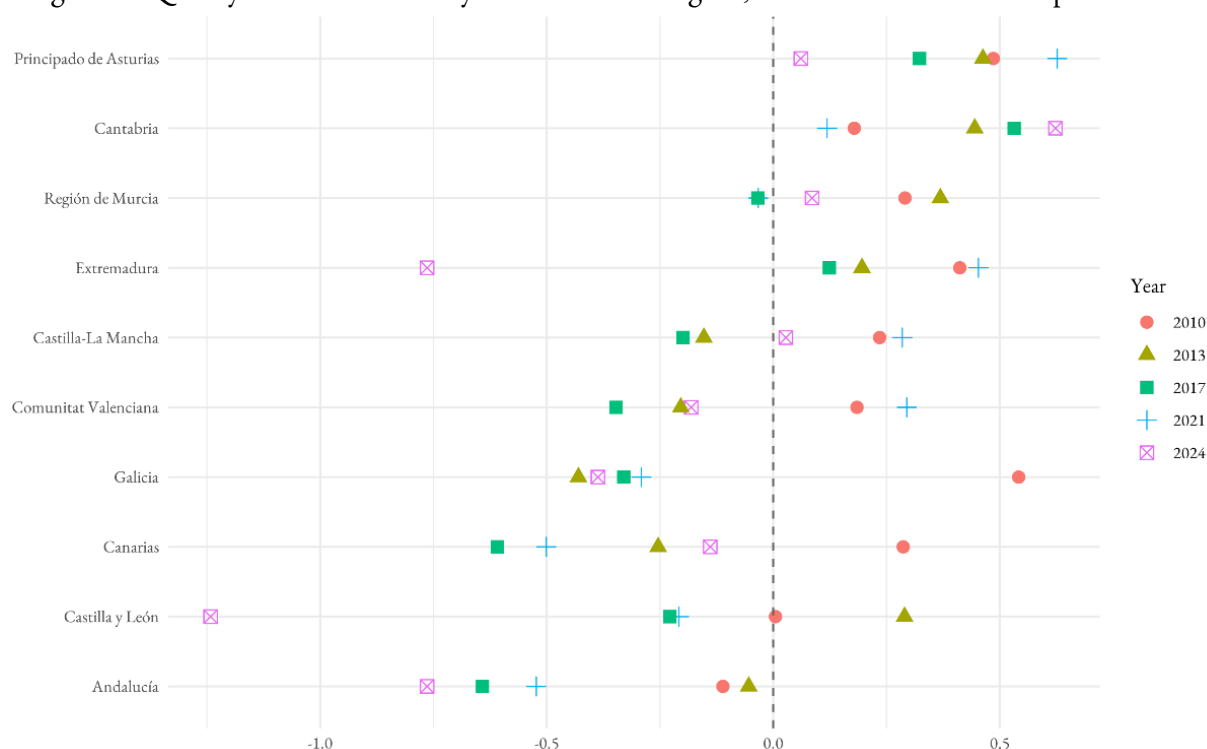
Of these, as the previous section showed, Galicia and Castilla-La Mancha are the only regions that achieved balanced growth when compared to European peer NUTS2 regions. Extremadura and Asturias also can be considered to have achieved balanced growth when compared to peer Spanish regions, but not to the rest of Europe. With Castilla y León, they are the five regions with the highest average GDP per capita growth (see Figure 2 above). Andalucía, Cantabria, and Murcia record almost identical average annual growth rates (circa 0.6% per annum), with the latter region caught in a development trap. Comunitat Valenciana and Canarias, with the weakest growth rates, are also part of the unglamorous regional development trap group.

4.1 Institutional quality

As discussed in section 2, it is hard to find a single indicator that captures institutional quality, especially when comparing regions within a same polity, with shared laws, formal institutions, culture, etc. Nevertheless, Spain's autonomous regions exhibit contrasting levels of institutional quality, owing to different administrative structures, fiscal regimes, and political systems. Such diversity can be identified, at a first glance, through the Quality of Government Index, based on citizen's "perceptions and experiences with public sector corruption, along with the extent to which citizens believe various public sector services are impartially allocated and of good quality" (Charron et al., 2024). Autonomous regions record highly deviant scores. Asturias and Cantabria score above the European average (z-score = 0) for every sample year, while Andalucía has not been able to *supercar* it at any point in time. The index however does not show any clear pattern between economic performance and stronger institutions: regions with higher scores include both weak (Cantabria, Murcia) and stronger (Asturias, Extremadura) economic performers in terms of GDP per capita growth and development traps, and so it happens too with regions with lower EQI scores, as in the case of Galicia and Andalucía.

Beyond regional patterns, there has been a notable and generalised drop in the quality of government across Spain throughout the 2010-2024 period. Except for Cantabria, all regions received lower scores in 2024 than in 2010. 2024 was also the year with the worse score for a total of four regions (out of 10), and the second worse for two more of them.

Figure 5 - Quality of Government by Autonomous Region, Z-scores relative to European mean



Source: Charron, Lapuente & Bauhr (2024)

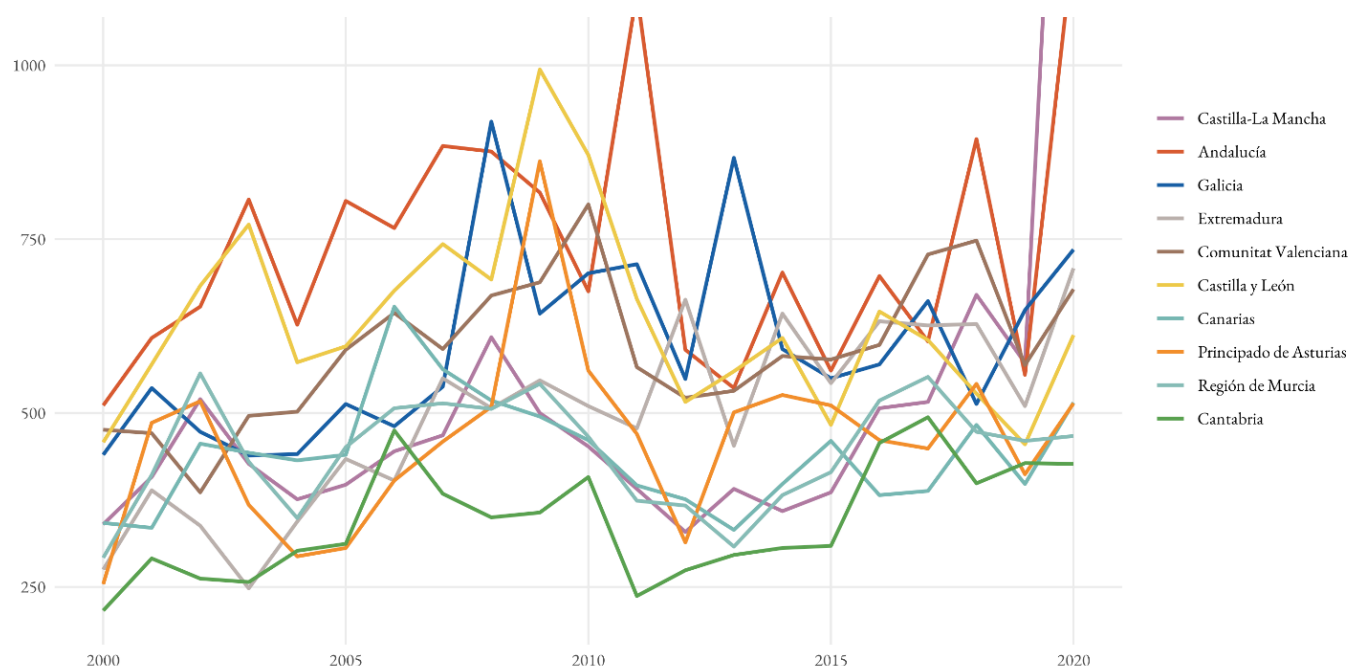
One limitation when using the EQI is that it is based on citizen perceptions. Unfortunately, it is hard to find alternative NUTS2 proxies to institutional quality. Most of them are only available at the national level (eg. Digital Government indices) or only for a short period of time (eg. corruption cases per region). We tentatively consider other candidate proxies, acknowledging their limitations. One such candidate is regulatory complexity. Mora-Sanguinetti (2018, 2021, 2022) has greatly contributed to the literature by producing the most comprehensive dataset on the matter.¹ His work shows the negative relationship between regulatory fragmentation, as measured by the different number of norms produced by regions, and economic growth, employment, and market entry.

Despite important differences —for instance, Andalucía produced almost double the norms of Cantabria for a third of the period— there does not seem to be any association between regulatory burden and economic performance. A deeper look into the role of regulatory output as a proxy of

¹ We thank Prof. Mora-Sanguinetti for kindly sharing his database for the purposes of this research.

institutional quality would require looking at the level of coordination between regions, and their alignment with national and European standards, something for which, unfortunately, there isn't any available data.

Figure 6 – Annual norms produced by autonomous region



Source: Mora-Sanguinetti (2020)

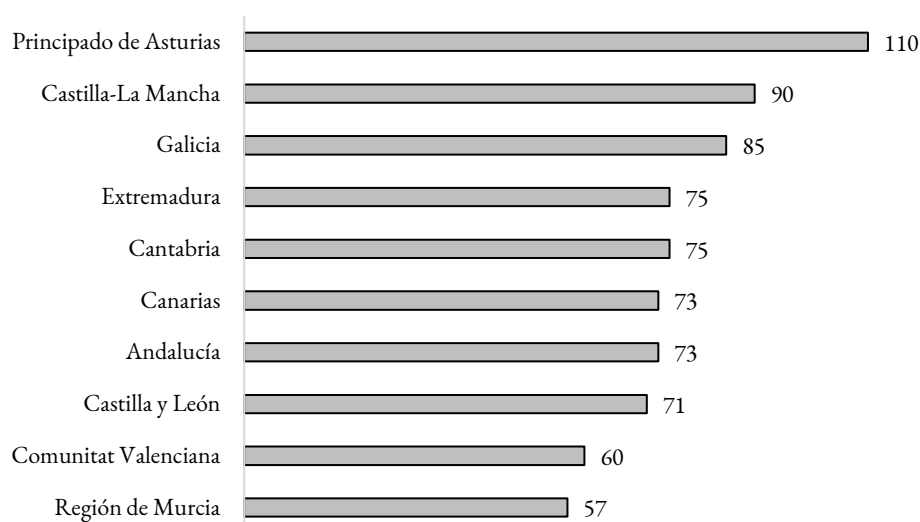
Another commonly used proxy for institutional quality are absorption rates. In this regard, Spain can also be considered an unsuccessful case of cohesion policy considering its persistent incapacity to spend its allocated share of funding. During the last completed programming period (2014-2020), the country recorded the lowest absorption rate of any member state, only managing to spend 69.5% of its allocation at the end of the period, compared to the European average 96.2% (Cohesion Open Portal, 2026). It also had the lowest speed of absorption of any member state during the 2014-2020 period (Santos et al. 2025, p.234). In the previous programming period (2007-2013), estimates by Moreno (2020) point to Spain registering the 8th lowest absorption rate. Our own estimates using Moreno's same methodology for the 2000-2006 period suggest Spain did have a better performance, with an absorption rate of 93.7% at the end of the period (see Annex).

Such a drop in absorption capacity is often associated with the types of projects prioritised through time. Large infrastructure projects favoured during the 200-2006 and 2007-2013 periods, including the development of the country's high-speed railway network, allowed to absorb significant shares of the funds with a handful of projects (Casula 2020, Carmona Conteras & Kölling 2015, 2025, Pazos-Vidal 2014, Santos et al. 2025). By contrast, the so-called *lisbonisation* of cohesion policy (Mendez 2011, Molica et al. 2025) and the turn towards the knowledge economy required

authorities to develop a series of capabilities and expertise to engage with SMEs, start-ups and a vaster array of actors, as well as gaining the technical expertise in numerous areas. Still, the question remains: why has Spain struggled to adapt to *lisbonisation* more than any other Member state. An EPRS report (2024, p.51) notes how the country, including regional public administrations, often suffers from a lack of or insufficient human resources, as well as difficulties in the communication and coordination between the stakeholders involved in the implementation.

In this context, comparing absorption rates for the 2014-2020 programming period can be considered a better proxy of administrative capacity. Using absorption rates from would allow adding a stronger temporal dimension, yet they are less indicative of a region's capacity given a few large infrastructure projects consumed most of budget allocations. Anyhow, absorption rates for the 2014-202 period do suggest that regions with stronger economic performance (Asturias, Castilla-La Mancha, Galicia) do exhibit higher absorption rates, especially when compared to poorer performers like Murcia, Comunitat Valenciana, or Andalucía. However, the differences between Extremadura and the rest are almost null, and Castilla y León, which has performed better than other peers in terms of GDP per capita or employment growth stands low in the ranking.

Figure 7 – Absorption rates (%), ERDF, 2014-2020 period



Source: Cohesion Open Data Platform

In sum, contrary to our expectations, the different measures of institutional quality (EQI, regulatory output, absorption rates) do not provide any conclusive evidence in support of H1. Rather, they only add to the confusing puzzle of cohesion performance in Spain. There appears to be a decline in institutional quality, reflected in lower absorption rates and declining EQI scores, yet this decline shows no clear association with regional economic performance. This of course does not contradict the EU-wide literature linking EQI scores to more effective absorption of cohesion funds;

rather, it suggests the relationship may be harder to detect, or operate differently, within a smaller, more homogeneous sample like Spain's autonomous regions. Testing this properly will require more sophisticated research designs than the descriptive comparison offered here — a task for the research agenda.

4.2 Political stability

To capture political stability, we propose a novel and simple proxy instead of traditional indicators such as party fragmentation and polarization: a dummy variable based on whether a parliament managed to pass the region's budget during the precedent calendar year. Our rationale is that other indicators, such as the type of government or number of parties, often fail to capture key components of stability. For instance, parliaments populated by a high number of parties at great ideological distance from each other may nevertheless be stable if there is a culture of cooperation among them. A single-party government enjoying a strong majority may be unstable if different factions compete within it. Focusing on budget approvals allows us to measure political stability from the output side, avoiding the confounding effects created by structural features that do not necessarily translate into actual (in)stability.

Table 2 - Times a regional budget was not passed on time, 2000-2023

<i>Number of times the regional budget was not passed</i>	<i>Regions</i>
0	Canarias, Cantabria, Comunidad Valenciana, Murcia
1	Andalucía, Galicia
2	Castilla-La Mancha, Extremadura
3	None
4	Castilla y León
5	Asturias

Source: Own elaboration.

Using this simple proxy we can see that, contrary to our expectations with H2, it is weaker economic performers appear to have the most stable political environments. Trapped regions such as Canarias, Murcia, or Comunitat Valenciana managed to pass their budget for all the years during the 2000-2023 period. Andalucía, another low-growth region also appears as being quite stable. Asturias and Castilla y León cast the most budgets not passed on time, and balanced-growth regions (Castilla-La Mancha, Extremadura) record two budgets not passed on time over the 2000-2023 period. As it was the case with institutional quality, a first descriptive analysis of the relation between

political stability and economic performance only adds confusion to the puzzle. Yet again, beyond regional patterns, there exist a temporal aggregate trend, much in line with the well documented change in party politics in Spain: the average number of regions that failed to pass a budget in time each year for the 2014-2023 period was 1.91, 40% higher than the average (1.36) for the 2000-2013 period.

As such, a more detailed analysis is needed to understand how exactly political stability operates in Spanish autonomous regions. More precisely, are stable regions dominated by entrenched interests that prevent structural reforms or any form of developmental coalitions? Both qualitative case studies and more sophisticated quantitative analyses will be needed to shed light on the question.

4.3 Building capabilities

Finally, when looking at how regions have built capabilities, a clearer pattern emerges. Table 3 shows the log growth of three types of capabilities: human capital, transport infrastructure, and innovation. For each, we use the log growth over the 2000-2022 period of both an input and an outcome. More particularly, we use the share of adult population with tertiary studies and global value added per worker to measure human capital, the net stock of road infrastructure and the value of freight transport in million tonne-kilometres for transport infrastructure, and government investment in R&D as a share of GDP and the number of patents per 100,000 inhabitants for innovation.

In the case of both human capital and infrastructure, more economically successful regions (those achieving balanced growth or better GDP per capita growth) managed to build more capabilities. This is especially the case for both human capital and transport infrastructure. Extremadura, Galicia, and Castilla-La Mancha outperformed their peers in labour productivity growth and freight volume. That also corresponds to the efforts made in increasing the pool of population with tertiary education, or the overall investment to widen the infrastructure stock. Conversely, Canarias and Murcia did not manage to improve their capabilities with regards to human capital and transport infrastructure. Looking at data related to innovation casts a slightly different picture, in which stronger performers do not necessarily become more innovative regions. Still, this does not entirely come as a surprise. Several authors, both from a theoretical (Breznitz 2021, Lerner 2009) and empirical stance (Boldrin & Levine 2013), argue that prosperous regions do not necessarily excel at radical innovation. Rather, as outlined in section 2, they succeed at specialisation along global value chains of high value-added products and services, becoming very competitive at activities that are not necessarily related with radical, early-stage innovation.

Table 3 – Building capabilities. Log growth (2000-2022)

	Human capital		Transport infrastructure		Innovation	
Region	Education	Productivity	Stock	Freight	Public R&D	Patents
Andalucía	0.62	0.05	0.29	0.51	0.56	1.00
Canarias	0.69	-0.04	0.03	0.13	0.55	-0.94
Cantabria	0.66	0.12	0.40	0.05	0.34	2.68
Castilla y León	0.53	0.12	0.44	0.60	0.79	0.30
Castilla-La Mancha	0.71	0.21	0.31	0.59	0.69	0.70
Comunitat Valenciana	0.62	0.08	0.15	0.29	0.85	0.49
Extremadura	0.67	0.16	0.37	0.77	0.15	-0.66
Galicia	0.81	0.20	0.42	0.50	0.24	1.40
Principado de Asturias	0.69	0.13	0.53	-0.09	0.24	1.23
Región de Murcia	0.40	0.02	0.29	-0.03	0.09	0.99

Source: Own elaboration based on OECD, Eurostat, IVIE

As such, an important item for future research concerns regional strategies and how cohesion funds have been mobilised to build core capabilities needed for growth. Especial attention should be given to how regions manage to translate inputs (eg. building roads) into outcomes (eg. higher freight volume).

5. A research agenda for the future: tackling the puzzle of Cohesion policy in Spain

When looking at the Spanish autonomous regions most generously funded by EU cohesion policy, a confusing picture emerges for social scientists. Traditional drivers of growth, such as strong institutions, a stable political environment, or the development of core capabilities, do not account well for the differences between regions. And yet, understanding what factors lead to economic development, and a more successful regional policy is too relevant of a question to ignore. Based on our discussion above, we suggest four directions for what we consider a necessary future research agenda.

First, regarding the importance of institutional quality for economic growth, better measures are needed. The proxies available for Spanish regions —EQI, regulatory output, absorption rates— are either based on citizen perceptions, imperfectly linked to administrative practice, or too aggregate to capture what happens inside the implementation process itself. A promising avenue is to replicate, for the Spanish case, the micro-level approach pioneered by Terracciano & Graziano (2016) for Italian regions: disaggregating institutional quality into its component administrative practices (programming, evaluation, staff organisation and coordination, and spending monitoring) rather than treating it as a single index. This would allow us to specific administrative capabilities that explain the divergent trajectories of regions like Galicia and Cantabria despite their similar EQI scores. Bachtrögl-Unger et al.'s (2024) broader indicators, and Mendez & Bachtler's (2022) work linking administrative performance to compliance and absorption across EU regions, offer complementary starting points, but a dedicated, Spain-specific dataset, built from regional programming documents, staffing records, and monitoring reports, remains to be constructed.

Second, as we have shown, the association between political stability and economic growth runs contrary to expectations. This deserves more attention. A possible avenue would entail delving into the nature of regional political systems, making sense of entrenched interests and the incentives or barriers to the formation of developmental coalitions. Such research calls for either in-depth qualitative case studies or mixed method approaches capturing the different interests and power shares of the different actors involved in the decision-making process and the management of cohesion funds,

Third, when it comes to capability building, a better understating of how inputs translate into outcomes is needed. There is already a considerable body of literature covering the case of infrastructure, especially in the early 2000s, before the *Lisbonisation* of cohesion policy, yet it seldom compares regional trajectories. For human capital and innovation, the vast and rich data made public by the Commission for the last two programming periods should be leveraged, together with a finer analysis of public policies. Some of such policy-focused work already exists (eg. work on the European Youth Guarantee, see Arregui, forthcoming), yet it would deserve more detailed attention. A regional-level perspective is all the more necessary given that educational competences lie within this level of government, just as a substantial share of R&D funding does.

Finally, a looming question is the one relating economic success to declining demographic trajectories. Extremadura, Galicia, Castilla-La Mancha are all the paramount examples of so-called 'emptied Spain'. Are their growth models based on the dynamism of some geographic pockets of efficiency? How does that relate to the design and implementation of cohesion policy? A map of expenditure within these (and other) regions should cast light on the issue, comparing mission-led

approaches and place-based interventions. The core question is whether the dynamism of these regions relies on a model rewarding a few dynamic centres (Toledo, Guadalajara in Castilla-La Mancha, the Atlantic front in Galicia) to the detriment of the backcountries in these regions.

Beyond these potential avenues for research, the current context —amid the negotiation of the upcoming MFF and the general aggravation of territorial inequalities across Europe— makes the academic conversation on cohesion policy all the more pressing. Spain, with some of the most heavily funded regions, deserves special attention given its difficulties to converge to the EU average. A preliminary examination suggests that variation between regions is not readily accounted for by the factors on which the literature has most often relied: well-functioning institutions, a stable environment, and a government that builds core capabilities. We thus aim to mobilise a new research agenda that untangles the factors driving economic performance across regions and the role played by cohesion policy.

6. References

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7. Annex

Table A1 - Average annual cohesion funding per capita (€) by region and EU programming period.

Region	2000– 2006	2007– 2013	2014– 2020	2021– 2022	Overall avg.
Extremadura	333.4	327.0	212.3	238.9	286.4
Principado de Asturias	288.9	179.6	90.7	118.8	180.5
Castilla-La Mancha	243.7	191.6	107.8	145.3	177.9
Galicia	195.6	204.8	123.9	113.9	169.5
Andalucía	190.8	168.1	127.9	139.9	160.3
Castilla y León	256.7	127.5	60.1	73.8	141.6
Canarias	175.7	125.7	107.9	123.4	135.3
Cantabria	247.8	117.7	55.6	77.5	134.9
Región de Murcia	162.7	150.7	90.6	107.4	132.3
Aragón	197.5	60.9	51.3	79.9	101.2
Comunitat Valenciana	134.9	107.8	60.1	70.9	98.3
La Rioja	109.0	79.0	53.2	86.7	81.0
País Vasco	95.4	45.9	46.0	83.1	64.2
Cataluña	80.8	48.9	40.0	67.1	57.5
Illes Balears	63.2	40.5	51.0	88.9	54.8
Comunidad Foral de Navarra	69.9	43.0	41.2	51.4	51.4
Comunidad de Madrid	65.4	34.9	32.8	48.5	44.7

Source: own elaboration based on European Commission, 2026.