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TERRITORIAL CAPABILITY AND INSTITUTIONAL CAPACITY: GOVERNING EUROPE'S UNEVEN TRANSITIONS AFTER 2027

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APRESENTAÇÃO DA UMPP / UMPP PRESENTATION

A Unidade de Monitorização de Políticas Públicas (UMPP) da Universidade de Évora é uma estrutura técnica e científica dedicada à produção de conhecimento e informação sobre conceção, monitorização e avaliação de políticas públicas.

A UMPP foi criada com o apoio do Programa Operacional Regional do Alentejo 2007-2013 (INALENTEJO) e tem como objetivo principal promover a avaliação e monitorização das políticas públicas implementadas ou em processo de implementação na unidade territorial NUTS II do Alentejo, em Portugal e na União Europeia, bem como assegurar a ampla disseminação desse conhecimento neste âmbito territorial.

A competitividade dos países, das regiões e das empresas está cada vez mais dependente das condições em que uns e outras tomam decisões e as concretizam de forma eficiente e eficaz. Neste sentido, a capacidade e competência na definição e implementação de políticas públicas por parte do Estado e a assertividade na concretização de estratégias e iniciativas bem sucedidas por parte das demais organizações são hoje fatores decisivos para o desempenho das sociedades em que se inserem.

A relevância, pertinência, coerência e valor acrescentado das políticas públicas são hoje aspetos absolutamente cruciais para as condições de desenvolvimento dos países, dos territórios, das organizações e dos indivíduos. Desde logo, em função dos contextos regulamentares e de enquadramento que estabelecem, dos mecanismos de incentivo e estímulo em que assentam, dos paradigmas e visão de futuro para que apontam, do nível de sofisticação e inovação que lhe está associado e da intencionalidade estratégica que imprimem e transmitem, numa perspetiva de médio e longo prazo, aos setores e atividades a que se destinam.

Num momento em que é cada vez maior o nível de exigência técnica e científica associado ao processo de planeamento da economia, da sociedade e dos territórios, e à construção e salvaguarda das suas condições de competitividade e de desenvolvimento, a Universidade de Évora entendeu criar uma Unidade de Monitorização de Políticas Públicas dedicada à produção de conhecimento e à avaliação e monitorização de políticas públicas aplicadas, ou em processo de aplicação nesta região.

A UMPP pauta a sua atividade por princípios de rigor, isenção, transparência e responsabilidade, e uma preocupação constante de auscultação e colaboração com as entidades e agentes da região Alentejo, mas também relativamente às de âmbito nacional e internacional.

Convidamo-lo(a) a conhecer o trabalho que fazemos.

The Public Policy Monitoring Unit (UMPP) of the University of Évora is a technical and scientific unit dedicated to producing knowledge and information on the design, monitoring, and evaluation of public policies.

UMPP was established with the support of the Alentejo Regional Operational Programme 2007-2013 (INALENTEJO). Its main mission is to promote the monitoring and evaluation of public policies that have been implemented, or are currently being implemented, in the NUTS II region of Alentejo, in Portugal and the European Union while also ensuring the broad dissemination of knowledge in this field across the territory.

The competitiveness of countries, regions, and organisations increasingly depends on the conditions under which decisions are made and translated into effective and efficient action. In this context, the State's capacity to design and implement public policies, together with the ability of other organisations to deliver successful strategies and initiatives, has become a decisive factor in the performance of the societies in which they operate.

The relevance, consistency, coherence, and added value of public policies are now crucial to the development prospects of countries, territories, organisations, and individuals. This is reflected in the regulatory and institutional frameworks they establish, the incentive mechanisms on which they are built, the paradigms and future visions they promote, the degree of sophistication and innovation they embody, and the strategic direction they provide to the sectors and activities they are intended to support over the medium and long term.

At a time when the technical and scientific demands associated with planning the economy, society, and territories – and with strengthening and safeguarding their competitiveness and development – are becoming ever more complex, the University of Évora created UMPP as a dedicated unit for the production of knowledge and for the monitoring and evaluation of public policies applied, or in the process of being applied, in the region.

UMPP carries out its work in accordance with the principles of rigour, impartiality, transparency, and responsibility, while maintaining an ongoing commitment to dialogue and collaboration with institutions and stakeholders in the Alentejo region, as well as with partners at national and international level.

We invite you to explore our work.

UMPP POLICY PAPERS

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Esta publicação destina-se a cumprir um dos objetivos da UMPP, nomeadamente a produção de conhecimento e de informação sobre a conceção, monitorização e avaliação das políticas públicas implementadas ou em processo de implementação na Região Alentejo, em Portugal e na União Europeia, bem como promover a disseminação dessa informação no contexto regional, nacional e europeu.

O UMPP Policy Paper nº 10 | 2026 tem como principal objetivo contribuir para o debate científico, institucional e político sobre o futuro da Política de Coesão da União Europeia no período pós-2027, propondo uma leitura mais exigente da coesão territorial à luz das noções de *territorial capability* e *institutional capacity*.

Partindo do reconhecimento de que a União Europeia enfrenta transições cada vez mais desiguais – de natureza climática, demográfica, digital, geopolítica e económica – o texto procura demonstrar que as disparidades territoriais já não podem ser compreendidas apenas como diferenças de rendimento, produtividade ou infraestrutura, devendo igualmente ser entendidas como desigualdades na capacidade dos territórios e das instituições públicas para governar a mudança, coordenar atores, mobilizar conhecimento e transformar recursos em trajetórias de desenvolvimento sustentável e resiliente.

UMPP Policy Papers are concise publications addressing methodological issues and technical and scientific debate in the field of public policy monitoring and evaluation. Among other topics, they include evaluation and analytical exercises focusing on specific public policies or policy instruments, and are designed to present recommendations and proposals for future action.

This publication contributes to one of UMPP's core objectives: the production of knowledge and information on the design, monitoring, and evaluation of public policies implemented, or in the process of being implemented, in the Alentejo Region, in Portugal and in the Europeam Union while also promoting the dissemination of this knowledge at regional, national and European levels.

The main objective of the UMPP Policy Paper No. 10 | 2026 is to contribute to the scientific, institutional and policy debate on the future of European Union Cohesion Policy in the post-2027 period by advancing a more demanding interpretation of territorial cohesion through the concepts of *territorial capability* and *institutional capacity*.

Starting from the recognition that the European Union is confronting increasingly uneven transitions – climatic, demographic, digital, geopolitical and economic – the paper argues that territorial disparities can no longer be understood solely in terms of differences in income,

productivity or infrastructure. They must also be interpreted as inequalities in the capacity of territories and public institutions to govern change, coordinate actors, mobilise knowledge and convert resources into sustainable, resilient and territorially balanced development pathways.

TERRITORIAL CAPABILITY AND INSTITUTIONAL CAPACITY: GOVERNING EUROPE'S UNEVEN TRANSITIONS AFTER 2027

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Abstract

This Policy Paper argues that the future of EU Cohesion Policy depends increasingly on the relationship between territorial capability and institutional capacity. In a context shaped by climate transition, demographic change, technological restructuring, geopolitical instability and renewed pressures on European competitiveness, territorial disparities can no longer be interpreted solely in terms of income, productivity or infrastructure gaps. They must also be understood as asymmetries in the capacity of territories to govern change, mobilise local assets, coordinate actors and sustain adaptive transformation pathways. Institutional capacity should therefore no longer be treated as a secondary implementation issue, but as a constitutive dimension of cohesion itself (Kim et al., 2026; Mazzucato & Kattel, 2026).

The paper advances a second, closely related claim. At a time when the European Union is mobilizing a historically significant set of financial, regulatory and strategic instruments –

including the Recovery and Resilience Facility and the 2021–2027 Cohesion Policy framework – the aggregate results in terms of growth, competitiveness and territorial transformation remain insufficient. This suggests that the central European problem is no longer only one of resource mobilisation. It is increasingly one of transformative effectiveness: how resources, instruments and governance arrangements are translated into durable territorial capability and into institutionally grounded development pathways (Eurostat, 2025; Mendez et al., 2026).

A further contribution of this paper is to broaden the meaning of public capability. It argues that a post-2027 capability agenda must be systemic, multilevel, measurable, anticipatory and democratically grounded. It must include organisational routines and staffing, but also local governance culture, authorising environments, beneficiary support systems, evidence systems, digital transparency and preparedness for unprecedented shocks. For that reason, the future of Cohesion Policy should be debated not only through the language of redistribution, simplification or absorption, but through the language of governing capability (World Bank, 2024; Luise & Cocozza, 2025; Woo et al., 2025).

Executive Summary

This Policy Paper starts from a simple but far-reaching proposition: the future of EU Cohesion Policy can no longer be discussed only in terms of financial allocation, convergence indicators or thematic priorities. It must also be discussed in terms of territorial capability and institutional capacity. This proposition matters because the European Union is entering a new and particularly demanding phase of development. The implementation of the Recovery and Resilience Facility, the operation of the 2021–2027 Partnership Agreements, the growing emphasis on competitiveness, resilience, strategic autonomy and technological upgrading, and the emerging debate on the post-2027 architecture together define a moment of exceptional policy density (Mendez et al., 2026; OECD, 2020b).

Europe is deploying more resources, more instruments and more strategic ambitions than before. Yet the overall picture remains troubling: average economic growth is weak, productivity performance is modest, competitiveness pressures are intensifying and territorial asymmetries remain profound. The problem is therefore not only one of quantity of resources. It is also one of the capacity to convert public action into transformative outcomes. In that sense, the debate on the future of cohesion must shift from a discussion centred on expenditure and allocation toward a discussion centred on governing capability, institutional robustness and territorial intelligence (Eurostat, 2025; Mazzucato, 2018; Kim et al., 2026).

The paper argues that this challenge requires a conceptual and political shift. Cohesion should no longer be interpreted only as a mechanism of redistribution or convergence. It should also be understood as a matter of capability: the capability of territories to anticipate change, absorb shocks, coordinate actors, mobilise evidence, adapt strategies and pursue transformation under conditions of uncertainty. In parallel, institutional capacity should no longer be seen

merely as an implementation variable. It should be treated as part of the substance of cohesion itself (Addison, 2009; Haque et al., 2021).

On this basis, the paper proposes a new reading of post-2027 Cohesion Policy. Rather than asking only how much funding should be allocated and to which priorities, Europe must also ask which territories are actually capable of transforming resources into development pathways, and under what institutional conditions. The post-2027 debate will therefore have to move beyond the classical opposition between cohesion and competitiveness. The real question is whether the European Union can build a policy architecture in which competitiveness, cohesion, territorial capability and institutional capacity reinforce one another rather than drift apart (Peters, 2015; OECD, 2026a).

The paper also argues that institutional capability must now be understood more broadly. Recent work on local government, systemic capacity building, decentralisation, AI-enabled administrative empowerment, beneficiary support and anticipatory governance shows that public capability is not reducible to technical staffing or administrative compliance. It includes systems of learning, local public culture, business processes, authorising environments, multilevel coordination, evidence ecosystems, digital accountability and preparedness for events without precedent. Post-2027 reform will only be credible if it is able to build capability in this thicker sense (World Bank, 2024; OECD, 2025a; OECD, 2025b; Luise & Cocozza, 2025; Woo et al., 2025).

Keywords

Territorial capability; institutional capacity; EU Cohesion Policy; uneven transitions; place-based policy; multilevel governance; territorial resilience; public policy coherence

1. Introduction

The future of EU Cohesion Policy deserves to be debated in more demanding and more strategic terms than is often the case. Too frequently, discussions about its reform remain confined to questions of budget size, allocation formulas, thematic concentration or administrative simplification. These are important issues, but they are no longer sufficient. The territorial condition of Europe has changed, the strategic context has hardened, and the governance challenges facing the Union have become more complex. In that context, the future of Cohesion Policy depends increasingly on whether it is capable of responding not only to disparities in economic performance, but also to asymmetries in territorial capability and institutional capacity (Haque et al., 2021; Kim et al., 2026).

This argument arises from a growing tension at the heart of European public action. On the one hand, the European Union is mobilising an unprecedented combination of resources and instruments. The Recovery and Resilience Facility has introduced a new scale and logic of intervention. The 2021-2027 Partnership Agreements and operational programmes continue to structure the implementation of Cohesion Policy across Member States. At the same time, new pressures related to competitiveness, decarbonisation, energy security, strategic autonomy, defence and technological transition are reshaping the priorities of the Union. Europe appears, in short, to be acting through more instruments, more funding channels and more strategic frameworks than at any previous moment in its recent history (Mendez et al., 2026; OECD, 2020b).

On the other hand, the aggregate results remain insufficient. Economic growth in the Union is weak. Competitiveness pressures are mounting, especially in relation to parts of Asia and other large-scale economic blocs. Productivity growth remains too modest to support the ambitions that Europe now places on innovation, digitalisation and green transition. Territorial inequalities remain persistent, and in some cases are being reconfigured rather than reduced. The emerging problem, therefore, is not simply whether Europe is doing enough. It is whether Europe is increasingly compelled to mobilise more and more resources merely to obtain limited or fragile results (Eurostat, 2025; Mazzucato, 2018).

This diagnosis suggests that a critical shift in perspective is needed. The central issue is no longer only how much money is available or which priorities are politically emphasised. It is increasingly whether European public action is capable of translating resources into durable territorial transformation. This is where the concepts of territorial capability and institutional capacity become central. The present paper uses these concepts to ask not only what Europe should fund, but what Europe should help territories and institutions become (Addison, 2009; El-Taliawi & Van der Wal, 2019).

A territory is not merely a passive container of investment. It is a structured space of capabilities, constraints, relationships, institutions, histories and opportunities. Some territories are better equipped to recognise and respond to new strategic pressures. They are better able to coordinate actors, absorb shocks, retain talent, mobilise local knowledge, generate strategic projects and adapt policy tools to changing conditions. Others are much less able to do so. The same asymmetry exists at the institutional level. Some administrations possess stronger leadership, better coordination mechanisms, more stable delivery systems, more effective links to evidence and stronger cultures of learning. Others remain fragmented, overloaded or poorly equipped to transform policy ambition into territorial outcomes (World Bank, 2024; Kim et al., 2026).

For this reason, cohesion can no longer be adequately understood as convergence alone. It must also be understood as capability. The relevant policy question is not merely whether territories are rich or poor, growing or lagging. It is also whether they are capable of governing change. Similarly, institutional capacity should not be treated as an afterthought or as a purely technical implementation condition. It is a constitutive dimension of the ability of territories to transform resources into development trajectories (Haque et al., 2021; Kim et al., 2026).

This paper therefore makes three interconnected claims. The first is that the post-2027 future of Cohesion Policy depends on a stronger recognition of territorial capability and institutional capacity as central policy concerns. The second is that the current European context – marked by more resources, more instruments and yet limited aggregate transformation – requires a move from a financial reading of effectiveness to a transformative reading of effectiveness. The third is that capability itself must be understood more broadly than is usual in cohesion debates: not only as administrative compliance or technical skill, but as the systemic, multilevel and anticipatory ability of public institutions to govern uncertainty, coordinate actors and sustain territorial learning over time (Jensen & Krogstrup, 2017; Woo et al., 2025).

This perspective also allows a more coherent reading of the wider European moment. Climate change, demographic ageing, technological restructuring, geopolitical insecurity and renewed industrial rivalry are not affecting all territories in the same way. They are producing uneven transitions across Europe: transitions that are spatially differentiated in exposure, vulnerability, opportunity and response capacity. Under such conditions, a territorially blind or excessively centralised policy architecture risks intensifying rather than reducing divergence. The question, then, is not whether Europe needs Cohesion Policy in the future. It is whether Europe is capable of redesigning it so that it becomes more capable of governing uneven territorial transitions (OECD, 2020a; Neto, 2026b).

The paper is structured as follows. Section 2 revisits the conceptual shift from convergence to territorial capability and argues for a systemic understanding of capacity building. Section 3 discusses institutional capacity as a constitutive dimension of cohesion and addresses indicators, monitoring and measurement. Section 4 examines the nature of Europe's uneven transitions and links them to decentralisation, multilevel governance and beneficiary capacity. Section 5 addresses the strategic warning suggested by the current European condition: the possibility that more resources and more instruments are not necessarily producing stronger transformative results. Section 6 identifies the main risks embedded in the emerging post-2027 architecture. Section 7 outlines a new policy agenda centred on territorial capability, institutional capacity and public value. Section 8 presents policy recommendations. Section 9 concludes.

2. From Convergence to Territorial Capability

2.1. Territorial capability beyond redistribution

A capability-oriented reading of cohesion requires a conceptual move beyond the classical distributive grammar of European regional policy. Redistribution remains necessary, but it is no longer sufficient as the principal language through which territorial disparities are interpreted.

The challenges now confronting Europe are not confined to unequal levels of income, productivity or infrastructure. They increasingly concern unequal capacities to frame problems,

coordinate actors, absorb shocks, reconfigure strategies and sustain transformation over time. In this sense, territorial capability refers to the practical ability of places to convert resources, institutions and knowledge into adaptive and cumulative development pathways (Haque et al., 2021; Kim et al., 2026).

This perspective matters because it reveals that two territories receiving similar resources may generate very different outcomes. One may convert funding into strategic projects, institutional learning and cumulative diversification. Another may remain locked into fragmented delivery, weak coordination and low strategic coherence.

A purely redistributive reading of cohesion tends to understate these differences because it focuses primarily on allocation and relative socio-economic position. A capability-centred reading asks instead whether places possess the governing conditions required to use opportunity productively and repeatedly (Peters, 2015; OECD, 2026a).

Territorial capability is especially relevant in a European context increasingly defined by transitions that are territorially uneven and institutionally demanding. A region may receive funding and still lack the capability to mobilise it strategically. A city may have a formal mandate but remain unable to build coalitions, embed experimentation or sustain long-term direction. Conversely, places with stronger institutional ecosystems may be better able to use the same policy instruments to generate cumulative advantages.

Territorial capability therefore concerns the interaction between endowments and agency. It includes institutional thickness, strategic coordination, public problem-solving capacity, absorptive capacity, access to data and evidence, and the ability to connect local assets to wider European priorities (World Bank, 2024; OECD, 2025a).

A second implication follows. Territorial capability is not merely a descriptive category; it is a normative and political one. If Europe is serious about balanced opportunity, territorial justice and cohesion, then it cannot be indifferent to the unequal distribution of governing capacity across space. In that sense, the move from convergence to capability is not a retreat from cohesion. It is a way of making cohesion more realistic, more policy-relevant and more responsive to the conditions under which territorial change is actually governed (Neto, 2026a; Neto, 2026b).

2.2. Structural capacities, organisational routines and dynamic capabilities

Recent work on public sector capacities is particularly useful in making this argument more precise. Mazzucato and Kattel (2026) propose a three-layered framework that distinguishes between structural capacities, organisational routines and dynamic capabilities. Structural capacities refer to the institutional architecture, resource base, legal mandates and political authorising environment that allow public organisations to act beyond short-term maintenance.

Organisational routines are the patterns through which those capacities are translated into coordinated daily practice. Dynamic capabilities, by contrast, concern the ability to sense, adapt, recombine and transform under changing conditions.

This layered view of capacity is highly relevant to the future of Cohesion Policy because it explains why stable resources and formal competences do not automatically produce transformative governing capacity.

Public programmes often fail not because objectives are absent, but because structural capacities are weak, routines remain compliance-oriented, and dynamic capabilities are underdeveloped. In such contexts, strategy becomes symbolic, monitoring becomes procedural, and experimentation remains peripheral. The result is not simply lower performance. It is cumulative capability loss (Mazzucato & Kattel, 2026).

This analytical distinction also helps illuminate one of the recurring tensions in European policy reform: the mistaken opposition between stability and adaptability. Stability is often criticised as rigidity, while adaptability is treated as a synonym for institutional health. Yet the dynamic-capabilities perspective shows that stability and adaptability are not opposites.

Public institutions need a degree of structural continuity in order to learn, coordinate and revise their own action. What weakens capability is not stability as such, but brittle routines and incoherent structures that cannot support learning under changing conditions (Kattel et al., 2025; El-Taliawi & Van der Wal, 2019).

For the purposes of the present paper, this means that institutional capacity should not be assessed only by asking whether organisations comply, spend or formally deliver. It should also be assessed by asking whether they can interpret new strategic pressures, coordinate actors, restructure routines and preserve direction under uncertainty. A cohesion architecture that neglects these layered dimensions of public capability may continue to expand policy ambition while failing to improve governability (Kim et al., 2026; OECD, 2020b).

2.3. Territorial capability as transformative governing capacity

The literature on transformative urban governance reinforces this interpretation. Recent work on city governments argues that transformative change depends on the interaction of structural capacities, organisational routines and dynamic capabilities, and identifies five particularly important practical dimensions: cultivating strategic awareness, adopting clear focus areas, building coalitions, transforming existing teams and embedding experimentation in regular governance practice (Kattel et al., 2025).

These insights matter beyond the urban scale. They suggest that governing transition is not simply a matter of better planning, but of developing institutional systems capable of scanning, focusing, connecting and transforming.

From this perspective, territorial capability can be defined more rigorously as the ability of a place and its governing institutions to sustain purposive transformation under uncertainty. It

includes the capacity to define strategic direction, but also to revise it; to coordinate across sectors, but also to learn across them; to deploy instruments, but also to redesign them when they fail. It is therefore more demanding than classical notions of absorption capacity and broader than conventional accounts of implementation quality. It is a capability for transformation, not merely delivery (Amuso et al., 2025; Kattel et al., 2025).

This broadened understanding is important because the European Union increasingly expects territories to respond to mission-like challenges, twin transitions, demographic stress and digital restructuring while maintaining cohesion and legitimacy. Such expectations cannot be met through funding alone.

They require territorial capability in a strong institutional sense. A place must be able not merely to absorb support but to organise its own strategic attention, coordinate public and non-public actors, and build iterative learning into its development trajectory (OECD, 2026a; World Bank, 2024).

A second implication is political. Transformative governing capacity shapes not only economic performance but also the perceived credibility of public institutions. Where territories repeatedly fail to translate programmes into visible and meaningful change, institutional trust erodes and public support for policy weakens. A capability perspective therefore strengthens, rather than displaces, the democratic rationale for cohesion: it helps explain why governing capacity is part of the social and political conditions of territorial legitimacy (Luise & Cocozza, 2025; Neto, 2026b).

2.4. Capacity building as a systemic and multilevel process

A further step in the argument requires treating capacity building not as a narrow training agenda, but as a systemic and multilevel process. Recent work on local government capacity in the EU context argues explicitly for a shift toward systemic capacity building, especially where public action is expected to operate under decentralisation, multilevel governance and climate-related pressure.

In this perspective, local government capacity is multidimensional and dynamic, and should not be reduced to isolated technical skills or short-term administrative fixes. Instead, it should be understood through the interaction of people with skills, tools and technology, business processes, authorising environment, and local and public sector culture (World Bank, 2024).

This systemic reading is especially important because EU territorial policy has often tended to equate administrative capacity with fund absorption. The World Bank report explicitly argues that this is too narrow and that the local level requires a more comprehensive framework if it is to govern integrated territorial strategies, sustainable urban development and climate adaptation.

In that sense, a capability-based approach to cohesion requires more than administrative streamlining. It requires investment in the institutional ecology of public action: the skills of people, the routines of organisations, the tools they use, the authorizing conditions under

which they operate, and the local governance culture that shapes implementation (World Bank, 2024).

A similar conclusion is suggested by earlier work on capacity building in the public sector. Jensen and Krogstrup (2017) define capacity building as action that improves the capability of individuals, organisations or systems to achieve their own goals, while emphasising that it is a continuous process grounded in existing strengths rather than a process that starts from scratch.

This supports a cumulative reading of cohesion: post-2027 EU policy should not be seen only as the allocation of resources to lagging territories, but as an ongoing process of strengthening the capability of territories and institutions to define, pursue and revise their own development pathways.

Capacity building, in this perspective, is not merely a technical adjunct to policy delivery. It is both a means and an end of public action. It expands the ability of institutions to solve shared problems while at the same time enlarging the room for strategic agency. This is precisely why territorial capability matters so much in the current European context. Where transitions are increasingly differentiated and uncertain, the capacity to interpret, coordinate and adapt becomes as important as the resources formally available (Jensen & Krogstrup, 2017; World Bank, 2024).

2.5. From capacity building to capability architectures

A further conceptual refinement is needed if territorial capability is to become a robust analytical category for post-2027 Cohesion Policy. The literature increasingly suggests that capacity building should not be treated as a loose synonym for training, technical assistance or administrative support.

Rather, it should be understood as a structured process of strengthening the ability of individuals, organisations and systems to define, pursue and sustain their own goals over time. In this sense, the concept of capacity building is best understood not as a discrete intervention but as the gradual construction of an institutional capability architecture (Jensen & Krogstrup, 2017; El-Taliawi & Van der Wal, 2019).

This perspective is especially helpful because it links directly to one of the major weaknesses of the European debate on cohesion and reform: the tendency to treat administrative capability either as a technical residual or as an input-side problem of staffing and skills. The World Bank's systemic framework for local government capacity building is particularly useful in overcoming that reductionism. Institutions do not become more capable simply by adding expertise or digital tools.

They become more capable when people, technology, business processes, authorising environments and organisational culture reinforce one another in a coherent operating environment. Territorial capability, therefore, is not simply a matter of endowment, but of institutional configuration (World Bank, 2024).

The same report underscores that capacity development should be seen across multiple levels – individual, organisational and systemic – and across different dimensions of competence, including analytical, operational and political capacity. This is highly relevant to the future of Cohesion Policy because the policy increasingly expects subnational actors to perform all three functions simultaneously: they must diagnose territorial problems, implement complex interventions and build political legitimacy around strategies of transition.

A territorially differentiated Europe therefore requires more than competent delivery agencies. It requires capability architectures that are analytically intelligent, operationally resilient and politically embedded (World Bank, 2024; Peters, 2015).

Seen from this angle, a stronger capability agenda would imply a subtle but important shift in the logic of cohesion. It would move policy attention away from a narrow concern with whether territorial units can absorb funds toward the broader question of whether they can govern development.

That includes the ability to formulate strategy, mobilise coalitions, organise implementation, learn from feedback, reconfigure processes and maintain public legitimacy. In short, the real post-2027 challenge is not only administrative capacity, but governing capability (El-Taliawi & Van der Wal, 2019; Kim et al., 2026).

2.6. Administrative capacity as a useful but demanding concept

A further conceptual clarification is important if the present paper is to use the language of capacity with sufficient precision. The concept of administrative capacity has a long and recurring presence across political science, public administration and development studies, yet it has rarely been consolidated as the central concept of a single research field. Addison's (2009) review is especially useful on this point.

It shows that administrative capacity has appeared intermittently across different literatures, often under adjacent labels such as bureaucratic capacity, public sector capacity, institutional capacity or executive capacity, and that definitions and modes of observation vary substantially. Yet despite this variation, the concept retains a stable core meaning: it refers to the intrinsic ability of an administrative system or bureaucracy to perform the functions expected of it.

This caution matters for the argument developed in the present paper. As Addison stresses, defining capacity by simply declaring certain institutional arrangements, routines or resources to be capacity risks the fallacy of best-practice thinking. It may also lead to tautological analysis, using performance to infer capacity and then using that inferred capacity to explain performance.

If territorial capability and institutional capacity are to become central objects of post-2027 Cohesion Policy, they must therefore be conceptualised as more than a checklist of desirable administrative features. They must be treated as latent but real governing properties that require careful observation and disciplined operationalisation (Addison, 2009).

This is one of the reasons why the move from a country-level notion of state capacity to a more institution-centred notion of institutional capacity is analytically productive. The World Bank's analytical framework argues explicitly that state capacity at the level of the whole country is often too imprecise to diagnose implementation constraints or guide reform.

It therefore proposes focusing on public institutions as the relevant unit of analysis, defining institutional capacity as the ability of public institutions to implement the specific policy mandates for which they are responsible.

This shift aligns closely with a territorial approach to cohesion: Europe's problem is not only that states differ, but that institutions within the same state often differ markedly in their capacity to implement, coordinate, monitor and adapt (Kim et al., 2026).

Seen in this way, administrative capacity remains a useful concept precisely because it captures something that observable structures alone do not fully explain. It refers to a non-additive property that emerges from the configuration and dynamic operation of institutions, routines, incentives and governing practices.

That is why the concept belongs in the present paper. But it also means that the paper should continue to use it carefully, always tying it to concrete institutional dimensions and implementation functions rather than invoking it as a loose synonym for "good administration" (Addison, 2009; Haque et al., 2021).

3. Institutional Capacity as a Constitutive Dimension of Cohesion

3.1. From implementation variable to substantive policy concern

A central implication of the argument developed here is that institutional capacity should no longer be treated merely as an implementation variable. In much of the traditional cohesion debate, institutional capacity appears as a secondary issue: important for delivery, but external to the substantive goals of policy.

That view is no longer tenable. If the capacity to coordinate, learn, monitor, experiment and adapt is unevenly distributed across territories, then institutional capacity is itself part of what cohesion policy must address. In other words, weak institutional capacity is not only a barrier to cohesion; it is one of the forms through which territorial inequality is constituted (Kim et al., 2026; Haque et al., 2021).

This shift has both analytical and political consequences. Analytically, it means that institutional conditions must be brought inside the diagnosis of territorial disparities rather than treated as contextual background. Politically, it means that strengthening public sector capability is not ancillary to territorial policy. It is a substantive territorial objective. Weak institutions distort implementation, weaken learning and limit the ability of places to engage productively with wider European priorities.

That is why institutional capacity should be understood as part of the content of cohesion and not merely as an administrative condition of access to funds (Mazzucato & Kattel, 2026; Peters, 2015).

Recent work on public sector competency frameworks illustrates both the promise and the limits of current approaches. Goulden (2025) shows that governments increasingly use competency systems to define the knowledge, skills, behaviours and values required for effective public action. These frameworks can help generate strategy, coherence and a shared language for recruitment, appraisal and training. They can also support cross-organisational benchmarking and capability development.

However, the same review warns that, unless nested in broader systems of learning, reflection and improvement, competency frameworks can become decoupled from day-to-day practice, generate perverse incentives and even stifle innovation. This is an important lesson for the post-2027 debate: codifying capability matters, but codification alone is not capability. Institutional capacity depends not only on frameworks, but on whether organisations can actually convert them into learning-oriented practice (Goulden, 2025).

3.2. Administrative capacity building as a territorial policy challenge

This is where the recent European study on roadmaps for administrative capacity building becomes particularly relevant. The report shows that designing and implementing capacity-building roadmaps requires robust governance arrangements, clear ownership, stakeholder involvement, political support, adequate human and financial resources, and credible systems for monitoring and evaluation.

It also shows that the practical effects of such roadmaps depend heavily on whether they are perceived as owned from within or imposed from outside, whether actions are specific and monitorable or broad and symbolic, and whether cooperation, information exchange and internal cohesion are strengthened during implementation (European Commission, 2026).

The study's conclusions are especially instructive for a capability-based reform agenda. It argues that the strengthened positioning of administrative capacity building in the current period should be preserved and built upon in the future legislative framework. At the same time, it identifies a major weakness: the absence of robust monitoring systems and common indicators for tracking capacity-building progress and demonstrating results. This is highly relevant for the future of Cohesion Policy.

If post-2027 reforms become more performance-oriented while capacity-building remains weakly monitored, Europe will risk increasing result pressures without strengthening the institutional conditions needed to achieve them (European Commission, 2026).

A second contribution of the roadmaps study is methodological. It does not treat capacity building as a generic aspiration. It treats it as a structured process that depends on diagnosis, sequencing, ownership and feedback. That makes it particularly valuable for the argument of the present paper, because it shows that the future of institutional capability depends as much

on governance arrangements as on financial effort. Weakly owned or poorly monitored reforms may consume resources without generating meaningful improvement. Stronger capacity-building architectures are therefore not a bureaucratic luxury. They are a condition of effective territorial transformation (European Commission, 2026; OECD, 2020b).

This point is reinforced by the broader literature on administrative capacity and development. Haque et al. (2021) argue that administrative capacity has become indispensable under conditions of global complexity, uncertainty and interdependence, but also stress that capacity remains a contested term and that practical capacity-building initiatives are often prescribed too generically by international organisations.

This is an important warning for European cohesion reform. It suggests that effective administrative capacity building must remain context-sensitive and historically grounded even when it is supported by common European frameworks.

3.3. Directionality, public sector capabilities and the twin transition

The need to connect institutional capacity with strategic directionality becomes even clearer in the context of the twin transition. Recent work on local governments in Barcelona and Camden shows that the green transition and the digital transition are driven by different underlying directionalities and therefore require different capabilities.

The green transition is largely structured by normative and political goals; the digital transition is more strongly shaped by economic and efficiency rationales; and the “twin transition” often remains rhetorical unless institutions develop a tailored set of capabilities to govern the interaction between the two (Bylicki et al., 2025).

This literature is important because it complicates any assumption that strategic direction automatically generates transformative capability. Directionality without capability can become rhetorical overload. If transitions are normatively ambitious but institutionally underpowered, implementation will fragment into parallel sectoral routines.

This is already visible in many territorial contexts, where green and digital agendas coexist but are governed through separate strategies and weakly integrated administrative capabilities. The implication for European policy is straightforward: asking territories to deliver twin transition objectives without investing in the public sector capabilities needed to coordinate distinct directionalities is unlikely to generate coherent transformation (Bylicki et al., 2025).

The same argument can be extended beyond the twin transition strictly understood. The European Union increasingly articulates multiple forms of directionality – competitiveness, strategic autonomy, resilience, housing, digitalisation, decarbonisation, security.

Yet each of these directional agendas places demands on institutions that are not identical and may not be mutually reinforcing unless coordinating capability exists. One of the most important tasks of post-2027 Cohesion Policy may therefore be to help territories build the

institutional competence to govern multiple directionalities in a coherent way (OECD, 2026a; Mazzucato & Kattel, 2026).

A second implication is that strategic directionality must be territorially translated. Europe's priorities only become governable when they are interpreted through institutions that can integrate them into local and regional development logics. This is why territorial capability matters not only for delivery, but for strategy itself. It shapes the extent to which broad European goals can become credible, place-sensitive programmes of action (Neto, 2026a; Neto, 2026b).

3.4. Foresight, sensemaking and anticipatory capacity

A further implication of a capability-centred approach is that institutions must be able not only to respond, but to anticipate. Recent work on foresight and dynamic capabilities argues that foresight tools can strengthen public organisations' strategic awareness and collective sensemaking, thereby supporting mission-oriented ways of working. The key point is not any single tool, but the organisational capability such tools can nurture: the capacity to think across time horizons, engage plural perspectives, anticipate spillovers and adjust policy mixes under uncertainty (Amuso et al., 2025).

The recent JRC Futures Balance Tool pushes this logic further by combining structured policy analysis, intergenerational fairness and a human-in-the-loop AI design. Its purpose is not to automate decision-making, but to support early-stage problem framing, objective setting, criteria definition and the explicit consideration of short-, medium- and long-term effects. Particularly relevant is its insistence that AI support must remain assistive and explainable, with all evaluative judgments under human control (Joint Research Centre, 2026).

For the argument of this paper, the broader lesson is that anticipatory governance requires both methodological and institutional innovation. Territorial capability is not only about better implementation; it is also about equipping institutions to reason across time, integrate evidence more coherently and make future impacts visible before policy choices harden. In a policy environment marked by climate pressure, demographic change and geopolitical volatility, this kind of anticipatory capability becomes central rather than optional (Amuso et al., 2025; Joint Research Centre, 2026).

This anticipatory dimension also connects with the author's broader line of argument on intergenerational fairness. Neto (2026a) argues that cohesion should be understood as a territorial guarantee of opportunity within the European Strategy on Intergenerational Fairness, while Neto (2026b) links territorial cohesion to the governance of differentiated transition. Bringing those insights into the present paper suggests that anticipatory capability is not merely a technical enhancement. It is also a way of ensuring that territorial policy takes future distributional consequences across places and generations more seriously.

3.5. AI, policymaking gaps and the limits of uneven digital capability

The new literature on AI in policymaking is also highly relevant here. Comparative work across European countries identifies AI-enabled policy actions across the public policy cycle and finds markedly uneven integration. While many initiatives focus on data infrastructure, digital public services and agenda-setting, far fewer address implementation monitoring, evaluation and responsibility-related governance mechanisms.

The same diagnosis echoes the broader problem facing European territorial policy: high-level ambition is not translating evenly into operational capability (Lnenicka et al., 2026).

For the present paper, the main point is not that AI should become central to cohesion governance, but that the uneven integration of AI reveals a more general institutional pattern. Public organisations may adopt visible digital innovations at the front end of policymaking while remaining weak in monitoring, evaluation, accountability and implementation learning.

In territorial terms, this risks generating a form of asymmetric modernisation: more sophisticated agenda-setting and service interfaces without a corresponding strengthening of deeper institutional capability. If post-2027 Europe places greater emphasis on digital transformation, it will need to avoid precisely this trap (Lnenicka et al., 2026).

A second lesson concerns institutional unevenness within states. AI adoption may be advanced in some ministries or agencies while remaining fragile or absent in others. This is consistent with the broader shift from generic state-capacity discussions toward institution-specific capacity analysis.

The relevant question is not whether a country “has AI” in government, but whether particular institutions possess the capability to deploy digital tools in ways compatible with accountability, legality and implementation quality (Kim et al., 2026; Luise & Cocozza, 2025).

The implication for Cohesion Policy is straightforward. Digital ambition should not be treated as self-evident progress. It needs to be evaluated through the lens of whether institutions are becoming more capable across the whole policy cycle. A capability-aware cohesion agenda would therefore treat AI as one element in a broader architecture of evidence, learning and democratic control, rather than as a symbolic badge of modernisation (Lnenicka et al., 2026; Luise & Cocozza, 2025).

3.6. Digital public infrastructure and public interest capability

This point connects directly with recent work on digital public infrastructure. The 2025 State of DPI Report argues that digital public infrastructure has become a global priority and identifies a growing consensus around foundational functions such as digital identity, digital payments and data exchange. Crucially, however, the report stresses that governance remains an enabling environment rather than a guaranteed outcome, and that existing measurement approaches still struggle to assess enforcement quality, impact and the relationship between technical design and public value (Fetter et al., 2025).

The relevance for Cohesion Policy is twofold. First, digital infrastructure is not just a technical layer; it is part of state capability. Governments are increasingly reasserting their role in shaping digital ecosystems because market-led systems alone do not reliably deliver equitable and trustworthy outcomes. Second, public-interest digital systems require institutional coordination, oversight and adoption capacity, not just technological deployment. In other words, digital transformation itself depends on public capability (Fetter et al., 2025).

In territorial terms, this means that the digital state cannot be built as a purely central or purely technical project. It must be understood as a layered capability challenge involving governance, coordination, institutional trust and inclusion. A territorially differentiated Europe will not benefit equally from digital infrastructures unless weaker territories and administrations are also supported in building the organisational and governance conditions needed to use them effectively (Fetter et al., 2025; OECD, 2025a).

A second implication is evaluative. Digital public infrastructure should be judged not only by rollout or adoption, but by whether it strengthens the public sector's ability to serve broader goals of cohesion, fairness and resilience. This again brings public value into the centre of the analysis. The question is not simply whether systems work, but whether they deepen institutional capability and expand meaningful territorial opportunity (Mazzucato, 2018; Fetter et al., 2025).

3.7. Indicators, monitoring and the measurability of administrative capacity

One reason why institutional capacity is so often under-prioritised in public policy is that it remains harder to measure than expenditure, outputs or physical delivery. Yet this is not a sufficient reason to leave it vague. The European Commission's guidance on indicators of public administration capacity building is especially important because it explicitly acknowledges that institutional capacity was weakly captured by the existing common indicator framework.

The document distinguishes between entities and individuals as units of reference and stresses that administrative capacity is improved through staff competencies, improved working methods, procedures, tools and IT systems, together with better coordination and planning (European Commission, 2014).

The Commission's guidance is useful because it points beyond generic declarations of "better administration" toward more structured measurement logic. If public administration capacity building is to become central to the future of Cohesion Policy, then Europe will need indicators capable of tracing whether support changes organisational behaviour, institutional routines and systems of coordination, rather than merely counting the number of projects or participants. In other words, capability must become more governable (European Commission, 2014).

The new evidence on capacity-building practice reinforces this point. The OECD's 2026 Global Forum capacity-building report shows that sustainable capacity building depends not only on technical assistance, but on diversified and continuous learning infrastructures, including peer exchange, e-learning, train-the-trainer approaches, regional initiatives and quality monitoring.

In 2025, the programme delivered bilateral technical assistance to 111 jurisdictions, provided intensive support to 88 developing countries, and contributed to the training of 20,062 officials, with high beneficiary ratings. Even though the policy field is tax transparency rather than cohesion, the broader lesson is transferable: capacity building becomes more robust when it is treated as a long-term institutional ecosystem rather than as a one-off technical intervention (OECD, 2026b).

This has direct implications for the future of Cohesion Policy. If post-2027 reform wishes to place more weight on performance, flexibility and simplified delivery, then it also needs stronger capability metrics. Otherwise, the framework risks judging systems by their outputs and milestones while failing to assess whether they are becoming institutionally more capable over time. Measurement, therefore, is not an optional afterthought. It is part of the governance architecture of capability itself (European Commission, 2014; OECD, 2026b).

3.8. Measuring institutional change: from outputs to changes in state capacity

If institutional capacity is to be treated as a constitutive dimension of cohesion, then a more demanding conversation about indicators becomes unavoidable. One of the striking points in the Commission's guidance on public administration capacity building is that it openly recognises how weakly this field has traditionally been measured.

Under the earlier ESF framework, institutional capacity building was largely captured through an output indicator on entities, while more meaningful result-type indicators were largely absent. The guidance responds by proposing a more structured logic based on two units of reference – entities and individuals – and by insisting that result indicators should capture a change in the situation of the supported unit, rather than merely register activity (European Commission, 2014).

This has important implications for the argument of the present paper. If post-2027 reform is serious about performance, then it cannot continue to rely on measurement architectures that privilege visible expenditure, milestone completion or aggregate delivery while leaving institutional improvement conceptually vague.

The guidance suggests that administrative capacity can be approached through change dimensions such as staff competencies, working methods, procedures, tools, IT systems, coordination mechanisms, interaction with stakeholders, quality of service delivery, administrative structures and human-resource strategies. This means that capability need not remain analytically elusive. It can be observed, even if imperfectly, through changes in how institutions work (European Commission, 2014).

A further lesson from the guidance is methodological. Indicators should be simple, reliable, closely linked to the supported action, and oriented as much as possible toward the direct effects on the supported entity or participant. This is especially relevant to cohesion policy because it cautions against overly remote claims about institutional transformation that cannot be credibly traced to intervention. A more capability-aware post-2027 framework should

therefore combine ambition with discipline: it should aim to observe meaningful institutional change, but it should do so at the level of targeted departments, units, services and staff rather than through vague generalisations about whole administrations.

This measurement problem is not secondary. If Europe fails to observe institutional change properly, then it will continue to oscillate between two unsatisfactory positions: either underestimating the importance of capacity because it is hard to quantify, or overclaiming capacity effects that are never adequately demonstrated.

A stronger indicator architecture would not solve the problem on its own, but it would make administrative capability more governable. That is a precondition for any serious attempt to place institutional capacity at the centre of post-2027 Cohesion Policy (Addison, 2009; European Commission, 2014).

3.9. From managing authority capacity to a self-assessing capability system

The operational dimension of this argument is especially relevant for Cohesion Policy. The OECD's report on strengthening the governance of EU funds starts from a clear proposition: administrative capacity is a fundamental factor behind the performance of EU funds, especially under Cohesion Policy, and successful management depends not only on spending allocated resources but on doing so strategically, through effective governance of the investment process, capable managing authorities and coordination across a complex ecosystem of actors (OECD, 2020b).

This operational reading is reinforced by the Administrative Capacity Building Self-assessment Instrument developed by the OECD in 2021 for managing authorities of EU funds under Cohesion Policy. The instrument explicitly aims to help managing authorities identify strengths and weaknesses, prioritise capacity gaps, develop targeted capacity-building actions and facilitate auto-evaluation of progress over time.

Its analytical matrix is structured around four pillars: People, Organisation, Strategic Planning, Coordination, and Implementation, and Beneficiaries and Stakeholders. It therefore offers a practical demonstration of how administrative capability can be broken down into actionable and governable dimensions without reducing it to a single performance score (OECD, 2021).

For the present paper, this is useful for two reasons. First, it supports the proposition that administrative capacity should be governed as an object of structured reflection rather than assumed in the background. Second, it reinforces the paper's claim that territorial and institutional capability depends not only on internal bureaucratic quality, but also on the relationship between managing authorities and the external actors with whom they interact, including beneficiaries, intermediate bodies, national coordinating structures and wider stakeholder ecosystems. In other words, capability is relational as well as internal (OECD, 2021; OECD, 2025a).

The implication for post-2027 Cohesion Policy is significant. If Europe wants to move toward a more performance-oriented, more adaptive and more strategic framework, then managing

authorities themselves need to become more self-aware and self-diagnostic institutions.

Capability should not only be built; it should also be reflexively assessed. A stronger post-2027 architecture would therefore benefit from encouraging more systematic self-assessment, structured peer-learning, and iterative capability reviews across managing authorities, rather than relying only on ex post compliance checks or high-level reform rhetoric (OECD, 2020b; OECD, 2021).

4. Europe's Uneven Transitions

4.1. Directionality is uneven because capability is uneven

The notion of uneven transitions can now be stated more precisely. Europe's current transitions are uneven not only because territories differ in their exposure to economic restructuring, demographic ageing, digital transformation or climate vulnerability. They are also uneven because the public capabilities needed to govern those shifts are themselves highly differentiated.

Some territories possess stronger structural capacities, more coherent routines and greater dynamic capability. Others face brittle institutions, weaker coordination, low monitoring capacity and difficulty sustaining long-term direction. This means that the same European priorities will not produce equivalent transformation across space, even where formal access to instruments is similar (Kim et al., 2026; World Bank, 2024).

This argument helps clarify why the European Union may appear to need ever more resources to generate increasingly modest aggregate results. Where territorial and institutional capabilities are uneven, additional instruments and funding can produce diminishing returns. More resources enter the system, but their transformative conversion depends on public organisations that can align direction, routines, monitoring, evidence, coordination and adaptation.

If that alignment is weak, policy effort expands faster than policy effect. This is one reason why a post-2027 debate centred only on budgets, strategic priorities or simplification would remain incomplete (Mazzucato & Kattel, 2026; Mendez et al., 2026).

A second implication concerns hierarchy. Advanced territories may not simply do "more" than weaker territories; they may operate through qualitatively different institutional environments. They may have stronger coalitions, more stable organisations, denser knowledge ecosystems and better-developed policy memory. Uneven transitions are therefore partly produced by uneven capability ecologies.

A serious cohesion agenda must address this, because otherwise even well-intentioned European priorities may reinforce existing territorial asymmetries (Kattel et al., 2025; Neto, 2026b).

Finally, uneven capability matters not only for economic change but for the legitimacy of public policy. Where transitions are governed unevenly, citizens experience Europe differently. Some encounter opportunity and visible institutional responsiveness; others encounter delay, opacity or weak local follow-through. In that sense, the politics of uneven transition are inseparable from the institutional unevenness through which change is mediated (Luise & Cocozza, 2025; Neto, 2026a).

4.2. Climate, demography, digitalisation and geopolitical pressure

The climate transition is territorially uneven because vulnerability, economic structure, adaptive capacity and governance quality vary widely across European regions. The same applies to demography. Ageing, outmigration and shrinking working-age populations are not distributed evenly; they interact with labour markets, service provision, human capital formation and local opportunity structures in differentiated ways. Digitalisation adds a further layer of territorial unevenness.

Regions differ not only in access to infrastructure and skills, but in the institutional capability needed to govern digital transformation in the public interest. Geopolitical and security pressures also map unevenly onto European territory, intensifying the need for strategic coordination and resilient local governance (Eurostat, 2025; OECD, 2020a).

These transitions therefore create a policy environment in which uniform instruments cannot reliably generate uniform effects. The challenge for post-2027 Cohesion Policy is not simply to compensate for uneven impacts after the fact. It is to recognise that unevenness is produced in part by different governing capacities before outcomes materialise.

This reinforces the argument that territorial capability and institutional capacity are not supplementary concerns. They are among the central explanatory variables of territorial transition itself (Kim et al., 2026; World Bank, 2024).

A further point is that the combined effect of these transitions is cumulative. Territories facing demographic decline may also face digital under-capacity, green investment pressures and fragile service systems. Others may combine technological dynamism with stronger institutions, better universities and more strategic firms. In practice, then, Europe is not facing one transition but multiple overlapping transition bundles, each filtered through different capability conditions.

That is why a place-sensitive reading of public capability is indispensable (OECD, 2026a; Neto, 2026b).

This cumulative view also helps explain why traditional convergence indicators may be increasingly insufficient. Income gaps still matter, but they capture only part of the problem. The deeper issue is that transition exposure, transition opportunity and transition governability are distributed unevenly across space.

A future cohesion agenda that continues to privilege only distributive metrics may therefore miss the institutional core of territorial divergence (Kim et al., 2026; Haque et al., 2021).

4.3. Uneven transitions, decentralisation and subnational governance

The territorial unevenness of transition cannot be separated from the architecture of multilevel governance. The OECD's study on Portugal is especially useful here. It describes Portugal, from a comparative OECD perspective, as a relatively centralised unitary state with essentially two levels of government on the mainland and no administrative regionalisation despite the constitutional provision for it.

It also notes that recent decentralisation reforms have been driven by two parallel objectives: assigning more tasks to municipalities and strengthening regional-level governance (OECD, 2020a).

The same OECD report is valuable because it explicitly connects decentralisation and regionalisation to economic efficiency and regional equity, while also warning that the effects of reform depend on design quality and institutional conditions. In other words, decentralisation is not automatically capability-enhancing. It can improve accountability, responsiveness and territorial fit, but only when responsibilities, resources, data systems and governance mechanisms are coherently aligned.

This is entirely consistent with the argument developed in the present paper: governing uneven transitions requires not just more territorial sensitivity, but stronger subnational capability and better coordination across levels of government (OECD, 2020a).

This insight is particularly relevant for Portugal, but it also has wider European significance. In many Member States, territorial policy is still filtered through institutional architectures that are either too centralised to respond effectively to differentiated territorial conditions, or too fragmented to sustain coherent multilevel coordination.

The post-2027 debate must therefore ask not only how much flexibility territories should have, but under what governance conditions such flexibility becomes productive rather than disorderly. Territorial capability depends on the fit between local needs, regional structures, national strategy and European frameworks. The Portuguese case shows clearly that this fit remains politically and institutionally unresolved in important respects (OECD, 2020a).

A further implication concerns data and performance intelligence. The OECD report repeatedly highlights the importance of better performance monitoring, stronger regional and local data systems, and a clearer assignment of roles in a multilevel government framework. This supports one of the core propositions of the present paper: territorial capability is inseparable from institutional intelligence.

A post-2027 policy that becomes more performance-oriented but does not simultaneously strengthen regional and local capacity for diagnosis, monitoring and strategic coordination may

easily deepen asymmetries rather than reduce them (OECD, 2020a; European Commission, 2014).

4.4. Decentralisation, regional governance and the territorial organisation of capability

The OECD study on decentralisation and regionalisation in Portugal introduces a further dimension that should be more explicitly developed: territorial capability is not just a matter of how strong institutions are, but also of how the state is territorially organised. If powers, responsibilities, information systems and fiscal resources are poorly aligned across scales, then even well-intentioned place-based policy may struggle to become effective.

The report is explicit on this point: decentralisation can strengthen growth, public service delivery, accountability and responsiveness, but it also creates risks, including unfunded mandates, weak competency allocation and wider territorial disparities, if reform is not carefully designed (OECD, 2020a).

In other words, decentralisation is not a substitute for capability-building; it is one of the terrains on which capability-building either succeeds or fails. The territorial organisation of the state conditions who diagnoses, who decides, who coordinates and who learns. That is why institutional architecture matters so much for cohesion policy.

A formally place-based agenda may remain weak in practice if the distribution of competences, resources and information does not support place-sensitive governing capacity (Kim et al., 2026; OECD, 2020a).

The same report identifies several practical prerequisites for effective territorial and institutional restructuring: clear assignment of responsibilities, strengthened subnational capacities, improved coordination mechanisms, territorially specific policies, differentiated decentralisation, better data systems, business intelligence tools, key performance indicators, cost-benefit analysis and stronger human capital at the subnational level.

These reinforce the proposition that the future of cohesion cannot be settled only through budgetary or regulatory debates. It must also be settled through decisions about the territorial organisation of public capability (OECD, 2020a).

This insight also allows the Portuguese case to play a more explicit analytical role in the paper. Portugal becomes not merely a national example, but an illustration of a wider European question: how should the Union think about territorial capability where subnational governance is neither fully regionalised nor purely centralised, and where the effectiveness of place-based policy depends on the evolving balance between deconcentration, decentralisation, municipal empowerment and intermunicipal cooperation? That question is likely to become even more important in the post-2027 debate (OECD, 2020a; Neto, 2026a).

4.5. Decentralisation, regional governance and the territorial organisation of capability

A major contribution of the recent OECD work is that it deepens an aspect often underplayed in debates on cohesion governance: beneficiary capacity. The OECD's 2025 report on beneficiary capacity argues that, regardless of how Cohesion Policy evolves in terms of priorities, rules or governance models, a cross-cutting prerequisite for its success is the capacity of beneficiaries.

It also notes that research has focused much more on the administrative and technical capacity of public administrations managing the funds than on beneficiaries themselves, despite the substantial diversity of beneficiaries across countries, regions, organisational types and sectors (OECD, 2025a).

The same report makes a second useful point: building beneficiary capacity means not only helping beneficiaries navigate regulatory requirements efficiently, but also enabling them to develop and execute strategic, high-quality investments that contribute to Cohesion Policy objectives, sustainable development and regional resilience. This suggests that beneficiary capacity is not merely administrative literacy. It is part of the wider developmental capability of territories. If beneficiaries are weak, place-based investments may remain formally available but substantively under-realised.

This reinforces the central thesis of the present paper that more resources do not automatically translate into stronger outcomes: the conversion of resources into transformation depends on the capability of a broader territorial ecosystem, including beneficiaries (OECD, 2025a).

This point is further strengthened by the Managing Authority Toolkit for Beneficiary Capacity Building under EU Cohesion Policy, which translates the broader framework into a three-step process: clarify goals, turn goals into actions, and put actions into practice. More importantly for the present argument, it makes clear that beneficiary capacity building should be treated as a long-term, structured and strategy-linked activity rather than an ad hoc support function.

That insight is particularly valuable because it links territorial capability to the quality of the relationships between managing authorities and those who actually develop and execute projects on the ground (OECD, 2025b).

For the argument developed here, the broader implication is that territorial capability should be understood as a distributed capability. It resides not only in ministries, managing authorities or subnational governments, but also in the organisations, partnerships and beneficiary structures through which investments are designed, absorbed, adapted and sustained.

This is especially important for the post-2027 debate, because a more flexible and more performance-oriented architecture may unintentionally favour the most administratively sophisticated beneficiaries unless the capability needs of weaker beneficiary groups are addressed explicitly and strategically (OECD, 2025a; OECD, 2025b).

5. More Resources, Weaker Results? A Strategic Warning for European Public Action

If the European Union is deploying more resources, more instruments and more strategic priorities while obtaining modest aggregate results, then the problem can no longer be diagnosed solely in financial terms. A different question emerges: are public systems capable of converting resource intensity into transformative effectiveness? This is not a claim that Europe lacks ambition or that funding does not matter.

It is a claim that financial mobilisation without sufficient territorial and institutional capability will tend to generate fragmentation, duplication, compliance overload and diminishing returns. In that sense, the central policy issue is increasingly not only one of volume, but of conversion: how resources are translated into direction, coordination, learning and territorial transformation (Mazzucato & Kattel, 2026; Kim et al., 2026).

This warning becomes particularly relevant in the current European conjuncture. The Union is simultaneously implementing the Recovery and Resilience Facility, the 2021–2027 Cohesion Policy framework and an expanding set of strategic agendas around competitiveness, skills, security, clean technologies and digital transformation. Yet the most recent Eurostat monitoring report on the SDGs suggests a mixed picture.

Over the last five years, the EU made significant progress in reduced inequalities, decent work and economic growth, and quality education, while progress on most other goals has been slower. The report also underlines that Europe cannot afford complacency, since sustainability, competitiveness and resilience must now be pursued simultaneously under conditions of growing external and internal pressure (Eurostat, 2025).

The strategic relevance of this diagnosis is sharpened by recent work on public value and market shaping. Mazzucato and Kattel (2026) argue that public value does not arise from policy tools in the abstract, but from the interaction between structural capacities, organisational routines and dynamic capabilities. Their market-shaping framework contrasts sharply with conventional public sector doctrines centred on market correction, ex ante cost-benefit appraisal and risk aversion. Instead, it emphasises dynamic efficiency, systemic change, iterative learning and reflexive evaluation of whether public systems are moving in the direction of desired socio-political goals.

Seen from this angle, Europe's current predicament can be read as a problem of insufficiently aligned public capability.

This interpretation also helps explain why "more resources, weaker results" should not be read as a purely fiscal or macroeconomic puzzle. It is also a problem of policy architecture. If instruments proliferate faster than coordination improves, if priorities multiply faster than institutions learn, and if performance pressures increase faster than capability-building, then policy density can rise while transformative effectiveness stagnates. In that setting, even well-

designed programmes risk being filtered through fragmented routines, unstable delivery systems and weak feedback loops. What matters, therefore, is not only that Europe is investing more, but whether it is investing in ways that strengthen the capability of territories and institutions to govern transformation over time (Mazzucato & Kattel, 2026; OECD, 2020b).

This strategic warning is sharpened further by the most recent debate on the 2028–2034 reform proposals. Recent analysis prepared for the European Parliament argues that the Commission's reform package, presented under the banner of simplification, flexibility and performance, may indeed streamline some aspects of the system at EU level, but is unlikely to reduce complexity proportionately at national, regional and beneficiary levels.

On the contrary, administrative burden may be displaced into coordination, negotiation, milestone-setting, verification, audit and performance management. This is a crucial point for the argument developed in this paper. If simplification is achieved mainly through a more integrated architecture at the centre, while implementation burdens grow on the ground, then the Union may once again be increasing policy intensity without proportionately improving transformative effectiveness (Mendez et al., 2026).

The same study also underlines that the stronger emphasis on flexibility and performance may reduce predictability for long-term territorial investment and weaken the place-based focus of Cohesion Policy if strategic safeguards are not maintained. This reinforces the diagnosis proposed here: the growing gap between resource mobilisation and transformative outcomes is not simply a matter of inadequate funding or insufficient ambition.

It is also a matter of whether the architecture of European public action preserves the territorial and institutional conditions required for cumulative transformation. A system that is formally simpler but substantively more centralised, more uncertain and more demanding in implementation may struggle to deliver balanced territorial results, especially where public capabilities are already uneven (Mendez et al., 2026).

6. Risks in the Post-2027 Architecture

The post-2027 architecture will be shaped by a tension that is already visible today: the desire for stronger strategic direction at European level, and the growing recognition that implementation remains territorially and institutionally uneven. If this tension is not handled carefully, the next cycle may produce a paradoxical outcome: more strategic ambition combined with weaker territorial governability. In such a scenario, the Union would become more demanding in what it expects from territories, while becoming less attentive to the uneven capabilities through which those expectations must be delivered (Mendez et al., 2026; Kim et al., 2026).

The risks become even clearer when examined in light of the parliamentary analysis of the Commission's 2028–2034 proposals. That study concludes that the reforms would move Cohesion Policy away from a more rule-bound, programme-based and territorially differentiated model toward one that is more integrated, more discretionary and more strongly steered through national plans, performance arrangements and Commission-led reprioritisation.

This formulation is especially significant because it captures precisely the type of institutional shift that can increase strategic direction at the centre while weakening territorial governability in implementation (Mendez et al., 2026).

A first risk is therefore that simplification may be asymmetric. Fewer programming documents, a single rulebook and wider use of performance-based delivery may simplify the system at EU level, but may simultaneously increase coordination, monitoring and compliance demands at national and regional level.

A second risk is reduced predictability, since greater budgetary flexibility, a larger reserve, an earlier and broader mid-term review, and a stronger link between reprogramming and performance-based payments may improve responsiveness, but also weaken certainty for long-term territorial and sectoral investment.

A third risk concerns weaker territorial targeting and diluted place-based focus. Broader and more integrated plans may encourage standardisation at a higher level, even where the formal framework appears more flexible (Mendez et al., 2026).

A fourth risk lies in the performance-based logic itself. The parliamentary study emphasises that such a model can only work if national and regional authorities possess sufficient technical capability in areas such as indicator design, milestone calibration, data systems and compliance management.

This is a direct empirical confirmation of the argument developed in this Policy Paper: stronger strategic ambition without stronger institutional capability risks widening the gap between European design and territorial execution (Mendez et al., 2026; European Commission, 2014).

A fifth risk concerns the future of partnership and multilevel governance. Stronger safeguards are needed to ensure timely and meaningful involvement of regional and local actors in plan design, implementation, monitoring, revision and reprogramming. This is not only a procedural issue. It is a capability issue.

Territorial intelligence is generated through embedded institutional relationships, not through central steering alone. A post-2027 architecture that sidelines these relationships would risk weakening the very informational and governance capacities on which effective territorial policy depends (Mendez et al., 2026; OECD, 2020a).

A sixth risk concerns the spread of results-based approaches without sufficiently robust capability and evaluation systems. The European Commission study on administrative capacity-building roadmaps is revealing here. It concludes that the strengthened positioning of administrative capacity building in the current period should be preserved, but warns that any

attempt to formalise roadmaps more strongly in the future framework must balance political visibility and coherence against the risks of rigidity and administrative burden. The same study also notes that results-based systems are likely to play a more prominent role after 2027, while robust monitoring and evaluation systems for administrative capacity building remain underdeveloped (European Commission, 2026).

A seventh risk lies in the mismatch between new mission-like ambitions and the actual capabilities of public organisations. The more the Union moves toward strategic directionality, the more important it becomes to ask whether public organisations at European, national, regional and local levels possess the capabilities required to govern such direction coherently. Otherwise, missions may proliferate rhetorically while implementation remains fragmented and time-inconsistent (OECD, 2026a; Mazzucato & Kattel, 2026).

An eighth risk concerns digitalisation. AI strategies may remain fragmented across the policy cycle, with weak development in evaluation, accountability and institutional embedding. Likewise, digital public infrastructure can scale as a technical architecture while still lacking governance maturity, oversight quality and public-value orientation. In the territorial context, that means post-2027 Europe could overestimate the readiness of public administrations to absorb new digital imperatives.

Digital transformation is not simply a matter of technical deployment; it is also a matter of institutional coordination, trust, explainability, monitoring and public-interest governance (Lnenicka et al., 2026; Fetter et al., 2025).

A ninth risk is that the current policy environment may continue to erode cumulative learning. Frequent reorganisations, unstable staffing, fragmented mandates and short-term performance metrics all weaken the ability of public systems to learn by doing. If post-2027 reform intensifies policy churn while expecting greater strategic coherence, the likely result will be not agility but capability erosion.

The future framework must therefore avoid treating flexibility as permanent disruption and instead build stable conditions for adaptive learning (Mazzucato & Kattel, 2026; El-Taliawi & Van der Wal, 2019).

7. A New Policy Agenda: Territorial Capability and Institutional Capacity after 2027

If the post-2027 debate is to move beyond the narrow opposition between cohesion and competitiveness, it requires a new policy agenda built around capability. The central claim of this paper is that territorial capability and institutional capacity should become core organizing principles of future Cohesion Policy. This does not mean abandoning redistribution, convergence or social balance. It means reinterpreting them through the lens of public

capability: the ability of territories and institutions to convert resources into strategic action, adaptation and cumulative transformation (Kim et al., 2026; Mazzucato & Kattel, 2026).

A first implication is that administrative capacity building should be moved closer to the centre of the cohesion architecture. The Commission's study of roadmaps shows that capacity-building works best when it is treated as a multiannual, multilevel and politically supported process, with clear ownership, stakeholder involvement and credible systems of monitoring and evaluation. This suggests that post-2027 policy should stop treating administrative capacity as an auxiliary concern addressed through fragmented technical assistance. It should instead be treated as a structured field of investment, planning and performance in its own right (European Commission, 2026).

A second implication is that territorial capability must be linked more explicitly to strategic directionality. The literature on twin transition and mission-oriented policy is especially useful here. Different transitions embody different directionalities and therefore require different capabilities. Future Cohesion Policy must therefore recognise that strategy is not enough: what matters is whether territories and institutions can operationalise directionality coherently across levels and sectors (Bylicki et al., 2025; OECD, 2026a).

A third implication is that evidence, foresight and learning must become far more central. Territorial capability is not only about staffing levels or administrative procedures. It is also about the quality of public reasoning. Institutions need better ways of integrating monitoring, evaluation, strategic foresight, AI-assisted analysis and participatory intelligence into policymaking. The future framework should therefore support stronger territorial intelligence ecosystems, not only stronger reporting requirements (Amuso et al., 2025; Joint Research Centre, 2026).

A fourth implication concerns public digital capability. Digital public infrastructure should be understood not only as a technological foundation, but as a capability field for public purpose. Identity, payments and data exchange systems matter, but their developmental value depends on interoperability, inclusion, transparency, oversight and adoption capacity. A place-sensitive cohesion agenda should therefore connect digital public infrastructure with territorial capability-building, especially in weaker or more fragile territories where digital transformation risks becoming another axis of divergence (Fetter et al., 2025).

A fifth implication is normative and strategic. The future of cohesion should be read through the lens of public value rather than only through that of compliance or absorption. The market-shaping framework and mission-oriented literature both insist that public action should be evaluated by its contribution to long-term public value, dynamic efficiency, spillovers and systemic change. This is directly relevant to the debate on Europe's weak aggregate results. A more capability-aware policy architecture would ask not only whether programmes spend, but whether they deepen the capacities that allow public institutions and territories to shape more inclusive and sustainable futures (Mazzucato, 2018; Mazzucato & Kattel, 2026).

7.1. AI, transparency and democratic legitimacy in capacity building

A more advanced policy agenda for post-2027 Europe should also recognise that administrative capacity has become inseparable from questions of digital legality, transparency and democratic legitimacy. Luise and Cocozza (2025) argue that the integration of artificial intelligence into administrative procedures may strengthen efficiency, transparency, regulatory compliance, resource allocation and decision-making capacity, but also raises crucial legal and ethical issues concerning accountability of automated decisions, protection of personal data, respect for fundamental rights and democratic legitimacy.

Particularly important for the present paper is their proposition that administrative capacity should be treated as an autonomous value to be protected and strengthened, because weak administrative performance fuels institutional distrust and democratic disaffection.

This is an important extension of the argument developed here. If territorial capability is to become a central object of European policy, then the digitalisation of administrative processes cannot be framed only as a technical modernisation task. It must also be understood as part of the democratic quality of public administration.

AI-assisted administration may improve predictability, investigative thoroughness and procedural consistency, but only if its use is embedded in transparent, legally robust and humanly accountable governance arrangements. In this sense, digital administrative empowerment is part of institutional capacity, but only where it remains compatible with the rule of law and public trust (Luise & Cocozza, 2025).

The broader point is that capability building in the digital age must be two-dimensional. Public administrations need stronger technical capacity to deploy digital tools, but they also need stronger normative capacity to govern those tools in ways that preserve fairness, transparency and accountability. This is particularly relevant for the EU context, where administrative modernisation is increasingly linked to digital transformation.

A capability-aware Cohesion Policy should therefore support not only technical uptake, but also legally and democratically grounded digital capability (Lnenicka et al., 2026; Luise & Cocozza, 2025).

A second implication follows for institutional trust. Where administrative performance is opaque, inconsistent or poorly justified, digitalisation may intensify suspicion rather than build confidence. That means public capability in Europe's next cohesion cycle will have to include not only better systems, but better explanations, better safeguards and stronger public intelligibility. Capability, in this sense, is inseparable from democratic quality.

7.2. AI, transparency and democratic legitimacy in capacity building

A further area that merits emphasis concerns the relationship between administrative capability, digitalisation and democratic trust. Recent work on AI and public administration argues that artificial intelligence is becoming a strategic tool for strengthening administrative

efficiency, transparency, regulatory compliance, investigatory completeness and decision-making capacity. At the same time, it warns that these gains are inseparable from difficult legal and ethical issues concerning accountability, data protection, imputability of algorithmic decisions, respect for fundamental rights and the changing meaning of transparency itself (Luise & Cocozza, 2025).

This is highly relevant because it sharpens the meaning of institutional capacity in the post-2027 setting. The issue is no longer only whether public administrations can digitise their procedures, but whether they can do so in a way that remains transparent, humanly accountable and legally robust. Digital administrative empowerment strengthens public capability only when it also preserves public trust and legal intelligibility.

The implication for Cohesion Policy is straightforward: a future capability agenda cannot treat digital transition merely as a matter of technology deployment or service efficiency. It must also consider whether public administrations possess the legal, ethical and organisational capacity to govern digital tools responsibly (Luise & Cocozza, 2025; Fetter et al., 2025).

A second point is that democratic trust is territorially uneven. In some places, digital government may be received as a credible extension of competent institutions. In others, it may be interpreted as a further distancing of already fragile administrations. That is why territorial capability matters here too.

The same digital solution may carry different political meanings depending on the institutional history and relational environment of a territory. A place-sensitive capability agenda should recognise this rather than assuming a uniform trajectory of digital legitimacy (OECD, 2025a; Luise & Cocozza, 2025).

This also suggests that transparency cannot be reduced to data availability or technological traceability. What matters is whether institutions can communicate decisions intelligibly, justify them publicly and remain contestable when errors occur. In that sense, digital capability worthy of the name must remain embedded in administrative law, democratic accountability and human oversight. Without that, efficiency gains may come at the cost of trust, and public capability may become technically stronger but politically weaker.

7.3. Policy capacity inside the bureaucracy: organisations, education and individual competence

Another useful extension of the paper is to make the link between institutional capacity and individual policy capacity more explicit. Peters' discussion of policy capacity in public administration is helpful here. He argues that the majority of policy work in government is conducted through the organisations that make up the public bureaucracy, and that bureaucracies operate simultaneously upward toward political principals, downward through implementation, and outward toward stakeholders.

This reinforces one of the central ideas of the present paper: public bureaucracies do not merely execute policy; they shape it through advice, delegated authority, implementation choices and interaction with social actors (Peters, 2015).

The article by El-Taliawi and Van der Wal adds an important refinement. It argues that administrative capacity is necessary for policy success and for preventing policy fiascoes, but that both scholars and practitioners need to recognise that capacity building is a continuous process, especially in relation to the organizational-operational dimension of public institutions. The authors single out components such as administrative autonomy, competence, coordination and collaboration, together with the need to preserve adequate control and oversight.

This is highly relevant to the present paper because it supports a more operationalised reading of institutional capacity: capability is not only a question of broad system quality, but also of how organisations are structured to deliver, coordinate and adapt in practice (El-Taliawi & Van der Wal, 2019).

A further valuable contribution comes from the 2025 article on the impact of Public Administration education on individual policy capacity among federal civil servants in Ethiopia. That study is useful because it helps illuminate an aspect often left implicit in discussions of administrative capacity: the role of education and training in shaping the analytical, operational, political and legal capacities of civil servants. The article argues that Public Administration training programmes appear to strengthen these dimensions of individual policy capacity significantly. This supports a point that can be made more explicitly in the present paper: institutional capacity depends not only on organisational design and governance arrangements, but also on the policy capacities of the individuals who inhabit institutions (Angaw et al., 2025).

This allows the paper to sharpen one further implication for post-2027 Europe. If the Union expects public administrations to govern increasingly complex transitions – green, digital, demographic, geopolitical and territorial – then it will need not only better rules or stronger coordination, but also better-trained public officials with deeper policy capacity.

That suggests a stronger place in the policy architecture for professional formation, knowledge retention, policy memory and long-term human capital development within the public sector. Otherwise, the system may continue to rely too heavily on external advice, fragmented consultancy and episodic capacity-building measures rather than cultivating durable internal capability (Peters, 2015; El-Taliawi & Van der Wal, 2019; Angaw et al., 2025).

8. Policy Recommendations

The analysis developed in this paper supports the following recommendations for the future of EU Cohesion Policy and, more broadly, for the capacity of the European Union to govern uneven territorial transitions more coherently and more effectively.

1. Treat territorial capability as a core cohesion objective.

Post-2027 Cohesion Policy should explicitly recognise that territorial disparities concern not only uneven outcomes in income, productivity or access to services, but also uneven capabilities to govern change. This means that cohesion should be understood not only as redistribution or convergence, but as the strengthening of the practical capacity of territories to interpret challenges, mobilise resources, coordinate institutions and sustain transformation pathways over time. A capability-centred approach would make the future framework more responsive to differentiated territorial realities and more consistent with the actual conditions under which transitions are governed in Europe (World Bank, 2024; Kim et al., 2026).

Treating territorial capability as a core objective would also rebalance the language of cohesion. It would allow European policy to move beyond a narrow contrast between "rich" and "poor" regions and toward a more realistic understanding of what territories need in order to become governable sites of transformation. It would not replace redistribution, but it would refine its purpose. The question would no longer be only how much support a territory receives, but whether support contributes to the long-term strengthening of territorial agency, coordination and adaptive capacity (Neto, 2026a; Neto, 2026b).

2. Recognise institutional capacity as a constitutive pillar of cohesion.

Institutional capacity should no longer be treated as a secondary implementation variable or as a technical accompaniment to funding. It should be treated as part of the substance of cohesion itself. Weak institutions are not merely obstacles to the effective delivery of policy; they are one of the mechanisms through which territorial inequality is reproduced. For that reason, strengthening leadership, coordination, monitoring, evaluation, administrative learning and delivery systems should be seen as core policy objectives, especially in territories expected to manage increasingly complex and overlapping transitions (European Commission, 2026; Kim et al., 2026).

Recognising institutional capacity as constitutive would also have an important signalling effect. It would make clear that European policy is not indifferent to how public institutions function on the ground. That matters because institutional fragility can silently erode the effects of otherwise well-funded programmes. A future cohesion architecture that makes institutional capacity visible – conceptually, politically and budgetarily – would be better placed to support territories in which implementation weakness is part of the development problem itself (Addison, 2009; Haque et al., 2021).

3. Preserve and deepen administrative capacity-building roadmaps, while linking them more clearly to implementation reality.

Future reform should ensure that administrative capacity-building roadmaps are not treated as peripheral technical exercises. They should remain multiannual, politically supported and operationally grounded processes, linked to real implementation bottlenecks and institutional reform needs. Their value lies precisely in their ability to connect diagnosis, ownership, resource planning and monitoring in a structured way. However, they should also remain sufficiently

flexible to avoid becoming rigid or overly procedural instruments (European Commission, 2026).

The central challenge is to ensure that roadmaps improve real administrative capability, rather than simply creating another formal planning layer. That means connecting them more clearly to delivery practice, staffing realities, inter-organisational coordination and measurable institutional change. Roadmaps should become instruments of capability-building rather than repositories of reform intention. Their usefulness should be judged by whether they generate institutional learning, not by whether they satisfy formal reporting expectations (European Commission, 2026; OECD, 2020b).

4. Build stronger monitoring and evaluation systems for capability-building and implementation burden.

If the European Union is serious about simplification and performance, it must become better able to observe whether administrative capacity is actually improving and whether burdens are genuinely being reduced in implementation. This requires stronger monitoring and evaluation systems capable of identifying changes in organisational routines, coordination quality, use of evidence, procedural efficiency and institutional learning. It also requires the capacity to detect where burdens are not removed but merely displaced—from expenditure control, for example, to milestone verification, performance management or audit (European Commission, 2014; Mendez et al., 2026).

A more serious monitoring architecture would help correct one of the recurrent weaknesses of European debate: the tendency to announce simplification without verifying its practical effects across institutions and territories. Managing authorities, intermediate bodies and beneficiaries experience policy burden differently. A capable post-2027 system should therefore monitor not only programme outputs, but also the administrative ecology through which programmes are governed. This would make claims about simplification, performance and capability more credible and more reformable (European Commission, 2014; OECD, 2021).

5. Protect predictability within a more flexible architecture.

Greater flexibility is not inherently undesirable, especially in a context marked by repeated shocks, geopolitical instability and emerging priorities. However, flexibility must not come at the expense of predictability for long-term territorial investment. Cohesion Policy depends on planning horizons, pipeline continuity and confidence that medium-term strategies will not be repeatedly destabilised by reprogramming pressures. The future framework should therefore establish clearer legal boundaries, stronger transparency rules and tighter scrutiny over reserves, mid-term review arrangements and reprioritisation procedures (Mendez et al., 2026).

Adaptability should be strengthened, but not through a permanent erosion of territorial planning certainty. If flexibility becomes indistinguishable from continual policy volatility, then even capable institutions will struggle to sustain strategic coherence. Predictability is therefore not a bureaucratic preference. It is one of the institutional conditions of transformative investment. Europe should seek a form of intelligent flexibility that preserves room for response

while protecting the credibility of territorial development trajectories (Mendez et al., 2026; OECD, 2020b).

6. Preserve the territorial and place-based character of Cohesion Policy.

Any move toward broader national plans, greater flexibility or stronger strategic steering should be accompanied by robust safeguards for territorial targeting and place-based responsiveness. Cohesion Policy derives much of its distinctive value from its ability to recognise differentiated territorial conditions and to tailor interventions accordingly. If the future architecture becomes more standardised, more centralised or more weakly anchored in territorial diagnosis, it risks losing precisely the features that make it capable of supporting balanced development (Mendez et al., 2026; OECD, 2020a).

Simplification should therefore not weaken territorial intelligence, integrated approaches or sensitivity to local and regional diversity. On the contrary, a more demanding European agenda makes those features more necessary, not less. The stronger the strategic direction from the centre, the greater the need for territorial translation, diagnostic nuance and local-regional ownership. Preserving the place-based character of Cohesion Policy is thus not an exercise in institutional nostalgia. It is a condition for making European priorities workable in territorially uneven contexts (Neto, 2026b; OECD, 2025a).

7. Align strategic directionality with differentiated territorial capability.

The future European agenda will increasingly be shaped by strong strategic priorities around competitiveness, digitalisation, housing, resilience, security and clean technologies. Yet these priorities will not be implemented under uniform territorial conditions. A credible post-2027 framework must therefore connect strategic directionality with differentiated territorial capability. That means recognising that regions and cities vary not only in resources, but also in institutional readiness, multilevel coordination capacity and ability to translate broad priorities into workable territorial strategies (Bylicki et al., 2025; Mendez et al., 2026).

Strategic ambition that is blind to capability differences will tend to widen, rather than reduce, implementation asymmetries. A capability-aware cohesion agenda should therefore provide both direction and differentiation: direction in terms of common European priorities, differentiation in terms of how those priorities are territorially interpreted and institutionally sequenced. This would strengthen the plausibility of European strategy while reducing the risk that common agendas become territorially selective in practice (OECD, 2026a; OECD, 2020a).

8. Strengthen dynamic capabilities inside public organisations.

Public administrations need more than formal competences and stable mandates. They also need dynamic capabilities: the ability to sense new developments, adapt routines, build coalitions, experiment, learn and reconfigure action under changing conditions. These capabilities are particularly important where public organisations are expected to deal with fast-moving and uncertain transitions. Future Cohesion Policy should therefore support not only administrative stability, but also organisational agility anchored in learning-oriented institutions (Kattel et al., 2025; Mazzucato & Kattel, 2026).

Dynamic capability should be treated as part of public sector maturity, not as an optional innovation function at the margins of bureaucracy. A public institution that can comply but not learn may remain administratively active while strategically brittle. Strengthening dynamic capabilities means investing in institutional environments that permit experimentation, reflection and revision without collapsing into instability. In the long run, this is essential to the quality of European implementation under uncertainty (El-Taliawi & Van der Wal, 2019; Kattel et al., 2025).

9. Ensure that performance-based delivery remains proportionate and workable.

A stronger focus on performance can improve strategic orientation, but only if it is designed in a proportionate and realistic way. If performance-based delivery simply replaces one type of administrative burden with another, it may weaken rather than strengthen implementation. Milestones, targets and payment logics need to be adapted to the long-term, territorially differentiated and often cumulative nature of Cohesion Policy interventions. Otherwise, authorities may be pushed toward safer, shorter-term and more easily measurable actions at the expense of transformative investments (Mendez et al., 2026).

Performance systems should guide better policy, not narrow it into compliance-driven routines. That requires methodological realism, strong data systems and institutional dialogue about what kinds of outcomes can be credibly attributed within multiannual and territorially complex programmes. A mature performance architecture would help institutions learn and adjust. An immature one would simply heighten pressure while weakening strategic ambition. Europe should seek the former and guard against the latter (European Commission, 2014; Mendez et al., 2026).

10. Embed foresight, evidence and learning more deeply into territorial governance.

Territorial capability is not only about staffing, procedures or legal mandates. It is also about the quality of public reasoning. Institutions need stronger systems for integrating evidence, monitoring, evaluation, strategic foresight and participatory intelligence into policy design and revision. A more learning-oriented framework would help territories not only deliver actions, but understand changing conditions, anticipate future risks and revise strategies when needed. In this sense, territorial intelligence should be treated as a core capability field of post-2027 governance (Amuso et al., 2025; Joint Research Centre, 2026).

Without this, policy may remain active, but not sufficiently reflexive or adaptive. Embedding foresight and learning more deeply into territorial governance would also make cohesion more future-aware. It would help institutions link short-term implementation with longer-term territorial consequences, including intergenerational effects. In a Europe increasingly shaped by uncertainty, evidence and foresight are no longer merely technical aids. They are integral to the governing capacity that cohesion policy now requires (Neto, 2026a; Joint Research Centre, 2026).

11. Avoid asymmetric digital modernisation.

Digital transformation should not remain concentrated in front-end services, agenda-setting tools or isolated technological upgrades while deeper administrative functions—such as monitoring, evaluation, accountability and institutional learning—remain underdeveloped. Such asymmetric modernisation may create an appearance of innovation without strengthening the real governing capacity of public institutions. The EU should therefore support a more balanced approach to digital capability across the full policy cycle (Lnenicka et al., 2026).

Digital maturity should mean not only faster interfaces or better data access, but stronger institutional ability to govern digital processes in a coherent, transparent and evaluable manner. Where digitalisation advances only in visible areas, institutions may appear modern while remaining weak in the organisational and governance dimensions that actually determine implementation quality. Avoiding asymmetric digital modernisation is therefore part of building credible administrative capacity in the digital age (Luise & Cocozza, 2025; Fetter et al., 2025).

12. Treat digital public infrastructure as a field of public capability and cohesion.

Digital public infrastructure should be understood not merely as a technical support layer, but as part of the architecture of public capability. Identity systems, payment systems, data exchange systems and related infrastructures can improve state effectiveness, but only when embedded in institutional settings that ensure interoperability, inclusion, oversight, coordination and public trust. In territorial terms, this matters because digital infrastructure can either reduce or reinforce asymmetry depending on how it is governed (Fetter et al., 2025).

A more territorially intelligent Cohesion Policy should therefore connect digital public infrastructure to broader goals of capability-building, inclusion and balanced territorial opportunity. The developmental value of these systems lies not only in their technical performance, but in whether they enable weaker territories and organisations to participate more effectively in public programmes, services and investments. Digital infrastructure that deepens asymmetry is not capability-enhancing. Digital infrastructure that expands governable access and public value can be (Fetter et al., 2025; OECD, 2025a).

13. Shift the policy focus from financial absorption to transformative effectiveness.

The central evaluative question for future Cohesion Policy should not be only whether funds are spent or contracted on time. It should be whether public action is actually strengthening the territorial and institutional conditions required for sustained transformation. A capability-aware perspective shifts the debate from absorption to effectiveness in a stronger sense: the ability to generate durable public value, territorial learning, institutional strengthening and more balanced development opportunities (Mazzucato, 2018; Mazzucato & Kattel, 2026).

In that framework, spending remains important, but it becomes a means rather than the principal measure of success. This is a particularly important shift in a context where Europe appears to be mobilising increasing resources while struggling to produce proportionate aggregate results. A more mature cohesion debate would ask not only how quickly funds move,

but how deeply institutions, beneficiaries and territories are changed by the process of using them (OECD, 2020b; Kim et al., 2026).

14. Develop a more explicit systemic framework for local and territorial capacity building.

Future Cohesion Policy should move beyond narrow views of administrative capacity centred only on staff training, consultancy support or fund absorption. It should instead adopt a more systemic framework for local and territorial capability-building, one that links people, tools and technology, business processes, authorising environment and local/public sector culture. This is especially important for subnational levels of government, where complex implementation problems are rarely caused by only one deficit (World Bank, 2024).

A systemic approach would allow interventions to address institutional ecosystems rather than isolated weaknesses, making capability-building more coherent and more durable. It would also bring cohesion policy into closer alignment with the actual conditions under which local and regional administrations govern. In practice, capacity challenges usually arise from interacting constraints. A stronger post-2027 framework should recognise that and build accordingly (World Bank, 2024; Jensen & Krogstrup, 2017).

15. Improve the measurement architecture for public capability.

If institutional capability is to be treated as a substantive policy object, it must also become more measurable. This does not mean reducing public capability to simplistic dashboards, but it does require a more serious indicator architecture capable of distinguishing between changes in individuals, entities, procedures, tools, coordination mechanisms and organisational routines. Better indicators would make it easier to identify where capability is actually improving, where support is ineffective, and where policy is merely generating activity without institutional change (European Commission, 2014).

A stronger measurement framework is therefore a necessary condition for governing capability, not a secondary technical refinement. Without it, Europe will continue to oscillate between vague claims about the importance of capacity and equally vague assertions that support has been effective. Capability cannot become a core cohesion objective unless it is also made sufficiently observable to inform diagnosis, monitoring and reform (Addison, 2009; European Commission, 2014).

16. Treat decentralisation and regional governance as capability questions, not only as institutional design questions.

Debates on decentralisation, deconcentration and regionalisation are often framed as questions of institutional design, scale or constitutional arrangement. These are important, but they are incomplete unless capability is placed at the centre. The relevant question is not only which level should hold which competence, but whether each level has the resources, information systems, human capital and governance mechanisms required to exercise those competences effectively (OECD, 2020a).

A future capability agenda should therefore connect territorial reform more explicitly to the practical conditions of implementation, especially in countries where regional governance

remains institutionally unresolved or weakly embedded. This is particularly relevant in the Portuguese case, but not only there. Across Europe, the success of place-based policy depends on the quality of the territorial organisation of governing capability. Europe should therefore think about multilevel reform as a capability question as much as a constitutional or administrative one (OECD, 2020a; Kim et al., 2026).

17. Build democratically grounded digital administrative capability.

Digital administrative empowerment should be pursued in ways that strengthen, rather than weaken, transparency, legality and democratic legitimacy. AI-assisted administration may help improve compliance, procedural consistency and efficiency, but these gains are inseparable from problems of imputability, data protection, human oversight and respect for fundamental rights. The future framework should therefore support not only technical uptake of AI and digital tools, but also the legal, ethical and organisational capacity to govern them responsibly (Luise & Cocozza, 2025).

Administrative capability in the digital age must be trustworthy, intelligible and publicly accountable. That means digital reform should be assessed not only by operational gains, but by its compatibility with democratic principles and public trust. Where that compatibility is weak, digitalisation may enhance speed while undermining legitimacy. A post-2027 capability agenda worthy of the name must therefore be digitally ambitious and normatively grounded at the same time (Luise & Cocozza, 2025; Lnenicka et al., 2026).

18. Invest in anticipatory and surprise-management capability.

Public administrations should be better equipped to prepare for severe shocks without precedent. This implies complementing routine planning and standard risk management with stronger anticipatory tools, including scenario work, foresight methods and downward counterfactual reasoning. Such approaches can help institutions imagine how known trajectories might deteriorate, and use that reflection to improve preparedness and organisational learning. In an era marked by overlapping climate, geopolitical, technological and demographic disruptions, this kind of anticipatory capability should be regarded as part of institutional maturity rather than as an optional extra (Woo et al., 2025).

A more anticipatory public sector would also help make Cohesion Policy more future-resilient. Cohesion instruments increasingly operate in environments where non-routine shocks can rapidly unsettle planning assumptions and investment logics. Strengthening surprise-management capability would therefore not only improve crisis preparedness. It would improve the robustness of territorial strategy itself. Europe needs institutions capable not only of responding after shocks occur, but of imagining adverse trajectories before they do (Woo et al., 2025; Amuso et al., 2025).

Taken together, these recommendations suggest that the future of Cohesion Policy depends not only on better allocations, simpler rules or stronger strategic priorities, but on whether Europe is prepared to build a more systemic, territorially embedded, measurable, democratically grounded and anticipatory architecture of public capability (World Bank, 2024; Mendez et al., 2026; Woo et al., 2025).

9. Conclusion

The future of EU Cohesion Policy should no longer be discussed only in terms of budget size, allocation formulas or thematic priorities. These questions remain important, but they are no longer enough. Europe's strategic environment has become more demanding, its transitions more uneven, and its policy architecture more complex. Under these conditions, the future of cohesion depends increasingly on whether the Union is able to strengthen the territorial and institutional capabilities through which change is governed (Kim et al., 2026; Haque et al., 2021).

The argument of this paper has been straightforward. First, territorial disparities can no longer be interpreted solely as gaps in income, productivity or infrastructure. They must also be read as asymmetries in governing capacity. Second, institutional capacity should be recognised not merely as an implementation concern, but as a substantive dimension of cohesion itself. Third, the current European condition – more resources, more instruments, more priorities, but modest aggregate transformation – suggests that the core problem is increasingly one of transformative effectiveness rather than simple resource mobilisation.

In other words, Europe's challenge is not only to act more, but to act in ways that deepen public capability and generate cumulative public value (Mazzucato, 2018; Mazzucato & Kattel, 2026).

The literature reviewed here strongly supports this conclusion. Recent work on market-shaping states, dynamic capabilities and mission-oriented innovation shows that public organisations need stable structural capacities, coordinating routines and adaptive capabilities if they are to steer complex transformations.

The literature on administrative capacity-building roadmaps shows that capability development requires ownership, political support, monitoring and multilevel coordination. Research on AI in policymaking and digital public infrastructure adds a further lesson: technological ambition without institutional embedding produces fragmentation and uneven results. Together, these strands of work suggest that the post-2027 debate cannot remain narrowly focused on funding or simplification. It must engage directly with the problem of public capability (Mazzucato & Kattel, 2026; European Commission, 2026; Lnenicka et al., 2026; Fetter et al., 2025).

Recent analysis of the Commission's 2028–2034 proposals reinforces this conclusion. It suggests that the expected gains from simplification, flexibility and performance are likely to be uneven, and that the future framework may become more integrated, more discretionary and more strongly steered from the centre, with risks for predictability, territorial targeting and multilevel governance.

This confirms the core proposition of the present paper: post-2027 reform will only succeed if strategic ambition is matched by stronger territorial capability and institutional capacity (Mendez et al., 2026).

A final lesson emerging from the new literature is that capability building must also be anticipatory. Woo et al. (2025) argue that one of the most difficult challenges for public administrations is preparing for severe events without precedent. Their proposal to use

downward counterfactuals as a tool of surprise management is particularly relevant for this paper. It suggests that administrative capacity cannot be built only around routines for familiar events; it must also include the ability to imagine how known trajectories could turn out worse, and to use that reflection to strengthen preparedness, planning and organisational learning.

This insight is especially pertinent to Europe's current condition, where climate events, geopolitical shocks, demographic stress and technological disruption increasingly expose the limits of routine administration.

Taken together, the additional references considered in the latest rounds reinforce the paper's central claim from multiple angles. The World Bank report strengthens the argument for a systemic understanding of subnational capability; the OECD study on Portugal strengthens the link between multilevel governance and territorial capability; the Commission's guidance on indicators reinforces the need for better measurement and monitoring; the literature on AI and administrative empowerment adds a stronger dimension of transparency, legality and democratic legitimacy; the work on downward counterfactuals brings in the neglected but increasingly essential dimension of anticipatory administrative capacity; the OECD reports on managing authorities and beneficiaries extend capability beyond the state apparatus narrowly defined; and the more conceptual literature clarifies both the usefulness and the analytical demands of working with the category of administrative capacity (World Bank, 2024; OECD, 2020a; European Commission, 2014; Luise & Cocozza, 2025; Woo et al., 2025; OECD, 2020b; OECD, 2025a; Addison, 2009).

A further merit of reading the present paper alongside the author's recent UMPP Policy Papers is that it clarifies the broader trajectory of argument being developed. UMPP Policy Paper No. 5 | 2026 argued that cohesion should be interpreted as a territorial guarantee of opportunity in light of intergenerational fairness, while UMPP Policy Paper No. 6 | 2026 reframed territorial cohesion as a way of governing differentiated transition. The present paper builds on both contributions and adds a further claim: Europe's capacity to govern differentiated transition fairly depends not only on choosing the right objectives, but on strengthening the institutional and territorial capabilities through which those objectives become operational (Neto, 2026a, 2026b).

For that reason, the future of Cohesion Policy depends not only on resources, strategic priorities or institutional simplification. It depends on whether Europe is willing to invest in a thicker conception of public capability: one that is territorial, multilevel, systemic, measurable, anticipatory and democratically grounded. That is the level at which the debate on post-2027 cohesion now needs to be conducted.

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