TOWARDS A GREEN AND DIGITAL TRANSITION: THE NEW COHESION POLICY STRATEGIES AND REFORM DEBATE

John Bachtler, Carlos Mendez and Martin Ferry

EoRPA Report 22/2, EoRPA Regional Policy Research Consortium

ISBN 978-1-914241-33-8, University of Strathclyde Publishing

The European Regional Policy Research Consortium (EoRPA) is funded by eleven national government ministries and agencies responsible for regional policy in Austria, Finland, Germany, Italy, Netherlands, Norway, Poland, Portugal, Sweden, Switzerland and the United Kingdom. It is managed and run by EPRC and produces comparative research and knowledge exchange on regional policy in 30 countries.

This paper should be cited as: Bachtler, J, Mendez, C and Ferry, M (2022) *Towards a Green and Digital Transition: The New Cohesion Policy Strategies and Reform Debate,* EoRPA Report 22/2, EoRPA Regional Policy Research Consortium, European Policies Research Centre, University of Strathclyde, Glasgow and EPRC Delft.

European Policies Research Centre

European Policies Research Centre
School of Government and Public Policy
University of Strathclyde
40 George Street
Glasgow G1 1QE
T +44(0) 141 548 4898
T +44(0) 141 548 3061
E eprc@strath.ac.uk
W https://eprc-strath.org/

Stichting EPRC Delft
Faculty of Architecture and the Built Environment,
Technische Universiteit Delft
Julianalaan 134
2628 Delft
T +31 (0) 15 27 86093
E info@eprcdelft.eu
W http://www.eprc-strath.eu/

TABLE OF CONTENTS

EXECUTIVE SUMMARY

In the context of crises that have stretched policymaking and budgetary resources of the EU to their limit, the focus of the past year has been on recovery from the effects of the pandemic, and future resilience – an objective dramatically increased in importance by the impact of the Russia-Ukraine war. As a major part of the EU response, Cohesion Policy has deployed, with remarkable effectiveness, an unprecedented set of measures. However, the use of Cohesion Policy 'stabilisers' to cope with the shocks of the pandemic and now the Ukraine crisis has implications for the debate on the future development of EU economic governance and the role of Cohesion Policy. In particular, the 8th Cohesion Report emphasises the need for a clear focus on the longer term structural challenges for cohesion in Europe: demographic ageing, weak productivity growth, globally lagging educational and innovation performance, and the climate transition.

With respect to implementation of the policy in the 2021-27 period, progress with the programming and adoption of the Partnership Agreements and programmes has advanced considerably during 2022, albeit with considerable delays relative to previous periods. The evidence to date shows significant continuity in the programme architecture of most PAs in terms of the balance between national and regional programmes. The 2021-27 period programmes are concentrating support on a more competitive and smarter Europe (policy objective – PO1) and as greener, low-Europe (PO2). In itself, thematic concentration has mixed implications for Member States. There are concerns about diminished flexibility to address needs on the ground. Among the specific negotiation challenges, the territorial coverage of the JTF has been a salient negotiation issue with many Member States calling for changes to the territories proposed by the Commission.

A new requirement for 2021-27 is to identify complementarity and synergy between Cohesion Policy funds and the NRRPs. Member States are exploring how strategic frameworks, governance systems and implementation arrangements can be adapted to pursue synergies and complementarities and avoid overlaps.

Finally, early work is underway on the post-2027 reform of Cohesion Policy. Key issues include the degree to which other EU policies support cohesion objectives; the balance between the policy's use in crises and its focus on longer-term goals; the future governance of the policy; where and how its effectiveness can be improved; and the continued need to develop institutional capacity.

1 INTRODUCTION

After the turbulence of the pandemic period, the past year has seen Cohesion Policy authorities continue to be under pressure from a succession of parallel tasks. Member State authorities are finalising expenditure and preparing for closure of the 2014-20 programmes, while implementing REACT-EU. By the end of 2021, some 60 percent of Cohesion Policy funding under the six Funds (ERDF, CF, ESF, EAFRD, EMFF, YEI) had been spent but with considerable variation by Member State, from 74 percent in Portugal and Lithuania to 43 percent in Spain. Across the different thematic objectives, many Member States had particular difficulties under certain themes, with some spending rates as low as 10-20 percent at the end of 2021.

The implementation of REACT-EU has also been gathering pace with around half of allocations having been committed by end 2021, though less than 10 percent had been spent. Differences across countries with REACT-EU implementation are particularly marked, with 100 percent commitment and 70 percent spending in Greece and Malta, compared to Cyprus, Latvia and Spain, where very little had been committed and almost nothing spent.

At the same time, Member States have been submitting and negotiating the 2021-27 Partnership Agreements, with 20 having been adopted by mid-September 2022 and a further five expected to be adopted by the end of the year. The detailed questions and comments from the Commission have been of particular concern to many Member States, and certain aspects (notably on enabling conditions) have been challenging and politically contentious (Rule of Law conditionality). Negotiation of the Just Transition Fund has been particularly problematic for numerous Member States, particularly with respect to territorial coverage, eligible activities and the objectives of measures.

Further challenges have arisen as a result of the Russian invasion of Ukraine and the need to mobilise investments under the new FAST-CARE initiative to support displaced people and spiralling project costs. The REPowerEU plan may also see a reallocation of investment under Cohesion Policy to support the diversification of energy sources. This adds another dimension to the ongoing debate about 'synergies' between EU Cohesion Policy and other EU policies which has featured strongly in Member State meetings over the past year.

A new requirement for 2021-27 is to identify complementarity and synergy between Cohesion Policy funds and the NRRPs. Member States are exploring how strategic frameworks, governance systems and implementation arrangements can be adapted to pursue synergies and complementarities and avoid overlaps.

Lastly, the past year has seen the start of the debate on the future of Cohesion Policy after 2027. The 8th Cohesion Report has set out several ideas for reform under the headings of addressing 'new drivers of disparities', strengthening the role of the regions, and improving the tools available for meeting the cohesion objectives in the longer term.

This paper examines the current state-of-play of Cohesion Policy. It summarises the key political and policy developments, followed by an overview of programming in Cohesion Policy. The paper then examines the challenge of synergies between Cohesion Policy and other EU funding. Looking beyond the current policy period, the paper explores questions relevant for the post-2027 Cohesion Policy.

2 POLICY CONTEXT

2.1 COVID recovery and new crises

In the context of crises that have stretched policymaking and budgetary resources of the EU to their limit, the focus of the past year has been on recovery from the economic and social effects of the pandemic, and future resilience – an objective dramatically increased in importance by the impact of the Russia-Ukraine war.

COVID had significant economic and social impacts on people, businesses and government authorities, affecting physical and mental health, changing human interaction and disrupting economic activity and trade. While national governments were at the forefront in introducing measures to safeguard incomes and business survival, Cohesion Policy played an important part in using ESIF resources to maintain liquidity, redirect investment into health systems, SME support and other priority areas. The EU reacted quickly in introducing CRII/CRII+ in Spring 2020, and then the major package of grants and loans under NextGenerationEU in 2021, including the Recovery & Resilience Fund and REACT-EU.

By June 2022, reallocations under CRII/CRII+ to deal with the pandemic totalled over €25 bn – for health actions (€8.1 bn), business support (€12.4 bn) and direct support for people, including workers and vulnerable groups (€5 bn).[1] Under REACT-EU, almost €44 bn had been allocated by July 2022 through ERDF and ESF (and a further €512 mill under FEAD), of which almost 30 percent (€12.5 bn) had paid out (see Table 1).[2]

Table 1: Thematic investments under REACT-EU

Thematic investments	Fund	€ billion
Green transition • **Climate action**	ERDF	6.8 • 5.8
Digital economy	ERDF	3.0
Enterprises and business development	ERDF	8.0
Health care systems	ERDF	7.0
Labour market measures, social inclusion, education and training	ESF	15.6

Source: REACT-EU dashboard, 29.8.22

Although action under Cohesion Policy was rapid and effective, the pandemic stretched the resources of Member State coordination and management authorities and intermediate bodies. Programme authorities had different levels of capacity to respond,[3] and the focus on reprogramming diverted resources from programme preparations for the 2021-27 period, exacerbated in 2021-22 with the priority given to National Recovery & Resilience Plans. The diversion of programme funding also took resources away from strategic investments in national and regional development.

COVID-19 has of course not disappeared. Current cases in Europe are running at over one million cases and more than 3,000 deaths per week[4]. There are also ongoing health impacts from 'long COVID' potentially affecting as many as 20 percent as COVID patients, with implications for hospitalisations and long-term care.[5]

The impact of the pandemic has had differential effects on regions and social groups, and may reinforce longer term imbalances and inequalities. Some regions (e.g. tourism regions, cross-border areas) will take longer to recover, and it is unclear whether the disruption of working patterns, commuting and lifestyles will involve longer term shifts in patterns of economic activity.

As the SK PRES noted at the GAC Cohesion in November 2021,[6]

> *"The COVID-19 pandemic has brought a series of previously unimagined challenges for the EU's territorial cohesion in general. Whereas the COVID-19 pandemic is too recent to fully assess its impact on EU regions, initial estimates suggest that the pandemic will affect southern EU regions most, and especially those with a large share of value-added in wholesale and retail trade, transport and accommodation."*

Outside Cohesion Policy, the EU provided other forms of support to help Member States address the economic and social impacts of the pandemic. While introduced on a temporary basis, some of these instruments may be considered for future crises and integrated into the EU's budgetary and regulatory 'toolbox' in the future:

- the Recovery & Resilience Facility (RRF) at the centre of the Next Generation EU package providing €672.5 bn in grants and loans, being delivered by Member States through National Recovery & Resilience Plans;
- Support to mitigate Unemployment Risks in an Emergency (SURE) – temporary assistance of €100 billion in the form of soft loans to for Member States to cover part of the costs related to the creation or extension of national short-time working schemes;
- The Pan-European Guarantee Fund, put in place by the EIB with €25 bn to provide loans up to €200 bn for the short-term financing needs of businesses (especially SMEs);
- The temporary framework on State aid to enable Member States to use the full flexibility foreseen under State aid rules to support the economy in the context of the coronavirus outbreak;

- Pandemic Crisis Support set up under the European Stability Mechanism – loans for euro-area Member States up to two percent of their GDP, up to a total value of €240 billion.

Just as the pandemic was brought more under control through vaccination programmes, the Russia-Ukraine war has created a new crisis, first in accommodating a huge wave of Ukrainian refugees, and latterly through pressures of diversifying energy supplies away from reliance on Russia and the effects on businesses and households of rising energy costs.

By mid-July 2022, the UNHCR estimated that there were almost six million individual refugees, mostly women and children, from Ukraine across Europe.[7] Many of them were in countries neighbouring Ukraine – Poland, Czechia, Romania, Hungary, Slovakia, Moldova as well as Germany and Spain. A further seven million people are estimated to be internally displaced within Ukraine. This has placed significant strain on the resources of receiving countries, first in providing emergency assistance and then in integrating refugees with public service provision and employment. Other impacts have arisen from the loss of male Ukrainian workers employed in countries such as Austria and Czechia who have returned to Ukraine to join the military.

The Commission initially responded[8] in early March 2022 with the so-called CARE (Cohesion's Action for Refugees in Europe) proposal to allow national and regional authorities to provide emergency support to people fleeing from Russia's invasion of Ukraine. Mirroring previous crisis responses, CARE provided flexibility in the 2014-2020 Cohesion policy rules to allow available funding to be reallocated for emergency support as well using Fund for European Aid or the Most Deprived (FEAD) and the 2022 envelope of REACT-EU to address new demands within the overall aim of post-pandemic recovery. This was extended in June 2022 with the Commission's adoption of the FAST-CARE (Flexible Assistance to Territories) package with proposed changes to the 2014-2020 and 2021-2027 Cohesion Policy legislation to accelerate and simplify Member State support for integrating third country nationals, while continuing to help regional recovery from the COVID-19 pandemic. The legislative changes require 30 percent of the funding support to be granted to local authorities and civil society organisations.

A further major challenge is the need to diversify energy supplies quickly away from Russian sources. In May 2022, the European Commission presented the REPowerEU Plan to end dependence on Russian fossil fuels by 2027 and to accelerate the green transition, which includes scope to transfer potentially substantial amounts of Cohesion Policy funds to dedicated chapters of NRRPs. Emergency legislation has been introduced to maximise EU strategic gas reserves, and proposals for demand reduction and increased renewables targets.

2.2 Cohesion Policy and crises

Reacting to everything from the onset of the COVID-19 pandemic to the consequences of the Russian invasion of Ukraine, Cohesion Policy has deployed, with remarkable responsiveness, an unprecedented set of measures (commended by the Commission President in the accompanying document to her State of the Union 2022 address)[9]. The Commission simplified the conditions for implementing funds, accelerated the closure of programmes, ensured continuity of operations and injected additional liquidity. It was all done to better respond to new urgent investment needs, thus avoiding a collapse of public investment in a context of high fiscal pressure, while also focusing on the most vulnerable and maintaining employment. Without an immediate and solidarity-based response from Cohesion Policy, the threat of fragmentation and new divisions in Europe would have been much higher.

However, the use of Cohesion Policy 'stabilisers' to cope with the shocks of the pandemic and now the Ukraine crisis has implications for the debate on the future development of EU economic governance. The Commission communication on the 2022 European Semester, Spring package,[10] emphasises the value of the above short-term actions in supporting the 'four dimensions of the EU's competitive sustainability' – environmental sustainability, productivity, fairness, and macroeconomic stability. It stresses the contribution of the RRF to delivering EU priorities under the European Semester and driving EU and Member State investment and reform agendas to meet Country-Specific Recommendations. In reviewing how "outstanding challenges persist and new ones have arisen", the Commission implicitly makes the case for more or stronger EU-level tools in future. Some external commentators have been more explicit, arguing that the RRF should be permanent, potentially extended to the financing of climate change measures, or that the conditionality and outcomes-based approach to spending should be applied to other funds (such as Cohesion Policy and the CAP).[11]

The capacity of the EU to take effective and speedy action in response to common challenges has been underlined in recent political contributions on the future development of the EU. Concluding the Conference on the Future of Europe in May 2022,[12] French President French President Emanuel Macron commended the EU's rapid response to the pandemic, and called for institutional reforms that would allow more efficient in both crises and peacetime:

> *"In the face of the pandemic...the unique decision in July 2020 to create a new budget, mutualised financing, a new ambition for a new Europe, by together raising money on the markets to invest in our priorities as Europeans. And in the face of the war, we decided for the first time to mobilize the European Peace Facility …We must be proud of these choices of efficiency….[the] challenge for us is to be just as effective in times of peace, when there are no crises. And being effective means making quick, collective decisions, investing heavily in the right places and leaving no one behind."*

The recent speech by German Chancellor Olof Scholz at Charles University[13] similarly heralded the NextGenerationEU recovery package as an "historic turning point":

> *"We agreed to invest together in order to strengthen our countries' economies. Incidentally, that is also helping us in the current crisis. Ideology gave way to pragmatism. We should take that as our guide when we consider how to develop our shared rules beyond the context of the COVID crisis…..*

Referring to the SURE programme as "one of the best examples of our recent success" he stated that:

> *"creating that incentive at the European level has allowed us to introduce the successful model of working-time reduction almost everywhere in Europe. The result is a more robust labour market and healthier businesses throughout Europe. That's how I envisage pragmatic solutions in Europe – now and in the future."*

2.3 Convergence and Cohesion

These crises and the role of Cohesion Policy have to be seen against the backdrop of longer term structural challenges for Europe: demographic ageing, weak productivity growth, globally lagging educational and innovation performance, and the climate transition. As the GAC noted,[14] "*EU regions are not only unevenly vulnerable to these challenges but also unevenly equipped to address them*" and which "*could result in a widening of disparities in the coming years*."

The 8th Cohesion Report (8CR), published in February 2022, provides evidence of the contribution of Cohesion Policy to cohesion, and the positive progress with convergence between less-developed regions and the EU average. GDP per head will be higher in the less developed regions due to Cohesion Policy funding in 2014-20; policy intervention has improved infrastructure, reduced poverty, created employment, upgraded skills and improved innovation. However, the long shadow of the 2008-10 financial and economic crises, and more recently the COVID-19 pandemic, have undone some of the longer term economic and social gains among EU regions. Of particular concern are five trends.

First, continuation of the positive convergence of less-developed regions in central and eastern Europe may be threatened by declining returns on infrastructure investment and diminishing competitiveness of economic strategies based on low labour costs. Second, there is economic stagnation or decline of middle-income and less developed regions, especially in the southern EU Member States, and suggestions that they are in a 'development trap'.

Third, the mixed progress in reducing disparities in some of the key growth factors (e.g. innovation, entrepreneurship) that explain the widening differences between so-called ‘frontier regions’ or ‘regional high-income clubs’, Fourth, new or intensified disparities will result from the digital transition and shift to a carbon-neutral economy, with losers as well as winners.

Lastly, the link between disparities, especially affecting formerly prosperous regions, and relative or absolute decline in quality of life leading to social dissatisfaction – the so-called geography of discontent. The 8CR concludes that *“without a clear territorial vision of how these processes will be managed….a growing number of people may feel their voices are not heard and the impact on their communities are not considered, which may fuel discontent with democracy”*.[15]

3 PROGRESS WITH COHESION POLICY PROGRAMMING

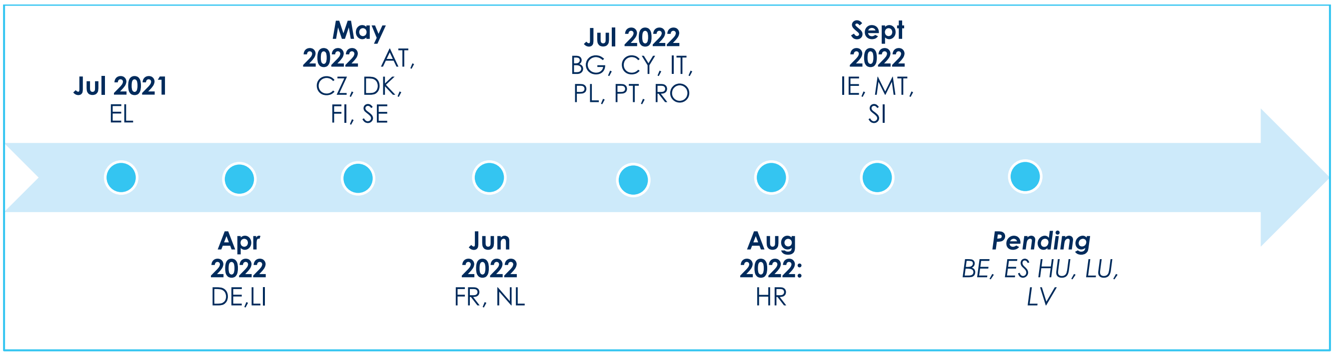
The development of Partnership Agreements and Operational Programmes for 2021-27 has been a long process and has advanced considerably during 2022 notwithstanding significant delays compared to previous periods. This section reviews the state-of-play of programming in 2021-27 and the key programming negotiation issues, with respect to:

- Just Transition Fund;
- programme architecture;
- thematic concentration;
- support for Ukrainian refugees;
- territorial instruments;
- financial instruments;
- enabling conditions;
- rule of law conditionality; and
- complementarity and synergy with NRRPs.

3.1 The state of play

Progress with the programming and adoption of the 2021-27 Partnership Agreements and programmes has advanced considerably during 2022, albeit with considerable delays relative to previous periods. By mid-September 2022, twenty PAs had been approved (Figure 1). The first PA to be approved was for Greece in July 2021. The majority of PAs were adopted over the May-July 2022 period. A further five PAs are still being negotiated with an expectation that they will be adopted by the end of 2022.

Figure 1: Timeline of approved Partnership Agreements (September 2022)



Source: https://ec.europa.eu/info/publications/partnership-agreements-eu-funds-2021-2027_en

The programming and negotiation of programmes is also progressing, although only a small share of the total number of programmes have been approved to date. By mid-September 2022, around fifty programmes had been approved (excluding ETC) across twelve Member States (see Box 1). The countries that have most or all of their programmes approved are Austria, Finland, Greece and Netherlands.

Box 1: Approved ERDF/CF and ESF+ programmes excluding ETC (September 2022)

- **Austria:** The national ERDF-JTF OP and the ESF+ OP addressing deprivation were both approved in August 2022.
- **Czech Republic:** A national programme for Education (ERDF/ESF+) was approved in June followed by the national OP Environment (ERDF/CF) in in July 2022.
- **Denmark:** The ESF+ programme "A Stronger Denmark through Education and Skills" was approved in July 2022.
- **Finland:** The national programme as well as the Partnership Agreement were both approved by the Commission on in May 2022. The other programme for the region Åland was approved in September 2022.
- **Germany:** ERDF regional programmes have been approved for Schleswig-Holstein (April 2022) Baden-Württemberg (May 2022), Saarland (August 2022). Some ESF+ programmes have also been approved from May-August at regional level (Baden-Württemberg, Bayern, Berlin, Saxony-Anhalt, Schleswig-Holstein) and one at federal level.
- **Greece:** The regional ERDF/ESF+ programmes were approved throughout August to September 2022. Some national programmes were also approved in July (Transport) and August 2022 (Environment/Climate) and other are expected to be agreed by the end of the year.
- **Italy:** A number of ERDF regional programmes were adopted in July and August 2022 (Emilia-Romagna, Lombardia, Valle d'Aosta). A larger number of ESF+ regional programmes were approved (Bolzano, Emilia-Romagna, Lazio, Liguria, Lombardia, Piemonte, Sardegna, Sicily, Toscana, Trento, Veneto) over the same period.

- **Lithuania:** The national programme for EU investments (ERDF/CF/ESF+) was approved in August 2022.
- **Netherlands:** The first ERDF regional OP to be approved was for South Netherlands in June 2022, followed by the West, East and North Netherlands regional OPs in July 2022.
- **Poland:** The national Technical Assistance for European Funds OP was approved at the start of August 2022, while the remaining national and regional programmes are being negotiated.
- **Romania:** the national Technical Assistance OP for support from the ERDF and ESF+ was approved in August 2022.
- **Sweden:** The JTF Programme and the ESF+ programmes were approved in August 2022. Two ERDF regional programmes were also approved in July (North Central Sweden) and August (Stockholm). The six other ERDF regional programmes, as well as the national ERDF programme, are expected to be adopted before the end of 2022.

Source: *EPRC research*

The delays in programming can be attributed to a combination of factors:

- the lengthy process of approving the legislative framework, which took 36 months compared to 24-26 months in the previous two reforms;
- the prioritisation of the programming of the RRF and also of REACT-EU, as well as other emergency responses to the crisis; and
- challenges associated with programming and negotiating new instruments notably the JTF.

3.2 Programming negotiations and changes

While it is too early to evaluate the outcomes of the negotiations between the Commission and Member States on the final content of programmes, the experiences to date highlight a number of programming challenges and changes for 2021-2027 relating to:

- **programming and coordination of new instruments** notably JTF underpinned by TJTPs as well the RRF**;**
- continuity in terms of **investment priorities** with no major thematic shifts from 2014-20 anticipated, although with a strong focus on PO1 (Smarter Europe) and PO2 (Greener, Europe) in line with concentration obligations;
- changes to **Sustainable Urban Development strategies** – spatial coverage, governance and funding arrangements – in some countries;
- changes in the **programme architecture** in terms of the number and balance between national and regional programmes in a limited number of cases;
- the transition from ex-ante conditionalities to **enabling conditions.**

3.2.1 *Just Transition Fund*

The Just Transition Fund (JTF) Regulation was approved in 2021 with a budget of €19.2 billion (2021 prices). On 8 June 2022, the European Commission proposed an annual EU budget of €185.6 billion for 2023, to be complemented by around €113.9 billion in grants under NextGenerationEU. Around €1.5 billion will be allocated for the JTF in 2023, with an extra €5.4 billion offered in NextGenerationEU grants. The JTF aims to facilitate the transition of carbon-intensive regions to a low carbon and diversified economy, in line with the EU goal to achieve a 55 percent greenhouse gas emissions reduction by 2030 and climate neutrality by 2050. The focus is both on the social and economic aspects of the transition and recommended tailored priority investment areas.

Most countries have found the process of programming and negotiating JTF plans challenging.

- In **Germany,** the *Länder* with access to JTF funding found it challenging to put multi fund programmes together involving both ERDF/ESF and JFT – though there was a push from the EC to do that as a way of speeding up the approval process. However the work on the programmes started in advance of the JTF. There are also some areas of overlap and it was challenging to demarcate measures under different Funds.

- In **Finland,** the JTF programming timetable was challenging. In parallel with the updating of the TJTPs, the JTF programme was under public consultation during July and August 2022 with potential changes to the programme and environmental assessment expected in September 2022. The aim is to have Commission approval for the programme amendment in November 2022.

- In **Ireland**, the main challenge has been the JTF OP which has been developed within a very short time frame. The plan was to submit a draft to the Commission for comment at the start of July. The decision was taken to deliver JTF in a targeted way in the most affected area (Midlands) through a separate Operational Programme – with the Department for Environment, Climate and Communications as the responsible government department and Eastern and Midlands Regional Assembly as MA.

The **territorial coverage of the JTF** has been a salient negotiation issue with many Member States calling for changes to the territories proposed by the Commission (Table 2).

Table 2: Negotiations on JTF geographical coverage

Country	Negotiation issues
Austria	Following lengthy negotiations with the Commission, the JTF territories were extended from three territories to cover territories in the four Austrian Länder Carinthia, Lower Austria, Styria and Upper Austria.
Bulgaria	There have been long consultations and negotiations with the Commission services on territorial coverage. The Commission initially suggested two districts – Stara Zagora and Pernik (NUTS3) - adding later a third one – Kyustendil. According to internal analysis, Bulgaria considered that there should be eight additional districts based on factors related to labour mobility, value chain interrelations, and presence of carbon intensive industries. The Commission eventually agreed for

	funding to cover measures in three additional municipalities located in districts neighbouring Stara Zagora, mainly based on labour mobility arguments.
Denmark	The Commission's proposal of North Jutland was an obvious choice due to Aalborg Portland being by some distance the largest Danish emitter of greenhouse gasses. Danish plans also include the Southern Denmark region that will be adversely affected by the ending of North Sea oil production in 2050, and the Commission is believed to be positive about this change.
Finland	A total of 14 regions which have eligible JTF area (out of the total of 20 regions in Finland). This includes North and East Finland (which were included in the original Commission proposal) and include a total of seven regions, as well as selected regions and municipalities from South and West of Finland. The eligibility of JTF was discussed extensively in Finland and the final outcome of these discussions is that it is important that there are also relevant areas in South and West Finland included. The Finnish authorities are not expecting any major challenges concerning this, although they have been asked to provide some further clarifications on why the additional regions should be included.
Germany	Germany was not satisfied with original Commission recommendations for JTF areas as the Länder wanted to fund additional areas e.g. Chemnitz which had the potential to stimulate wider regional economic impact. The Commission investment recommendations were very narrow limiting flexibility from the Länder that are best placed to know the regional circumstances and potentials.
Greece	The Commission was ambivalent on the issue of including islands as eligible regions i.e. islands on which electricity generation relied on power plants using oil as a fuel. Eventually the Commission accepted the eligibility of islands.
Netherlands	While the Dutch government preferred to distribute the fund over a larger number of Dutch regions with a concentration of carbon-intensive industry, the Commission favoured a concentrated allocation of the fund to few territories (East Groningen, Delfzijl, surroundings and rest of Groningen). Disputes were settled in 2021, when it was decided that there are six Dutch JTF regions (North-West Brabant, Zeeuws-Vlaanderen, South Limburg, Groningen, IJmond (around the port of Amsterdam) and Groot-Rijnmond (around the port of Rotterdam).
Poland	Initially, the Commission wanted to cover three regional programmes but the Polish government argued that more coal regions could be included. There is agreement on Regional OPs, each of which will have a dedicated JTF Priority Axis. The Polish government favoured one national programme, including these regions as Implementing Bodies but there was pressure from the regions and Commission to have regional programmes. There was discussion about including Lubelskie region but this has been dropped. It will receive some additional funding in compensation which has to be spent on environmental actions.
Sweden	Four regions (and their specific industries) were proposed by Sweden to be included in the programme. As a result of the negotiations with the Commission, one region (Västra Götaland) was dropped, and the following industries and regions are proposed to be included: the steel industry in Norrbotten, the mineral industry in Gotland, and the metal industry in Västerbotten.

Source: *EPRC research*

The negotiation of **the content of JTF plans** has also been challenging in terms of the eligible activities and the objectives of measures.

- **Finland:** Regions are keen to have funding for bio-terminals included which has strong political backing in the regions. The Commission has been reluctant to have this included, and has also asked for the addition of a separate priority for training. The view in Finland is that one strategic objective is sufficient. The Commission has asked Finland to concentrate on various sectors that are linked to the transition of the peat industry. To point out/illustrate those links has proved somewhat difficult in practice.

- **Germany:** There have been detailed discussions with the Commission on the JTF. The Commission initially wanted every measure to prove job creation, which is not possible in all relevant support options within JTF. There are four coal regions which will receive JTF finance – NRW, Brandenburg, Sachsen and Sachsen-Anhalt. The three eastern German regions have a different industrial structure to NRW and this has also proved to be a challenge. The Commission wants to support many smaller companies with the aim of stimulating wider regional development but that is much more difficult in eastern *Länder* where the industrial structure is based around very large companies. This raises the question of whether all the JTF money will be absorbed, particularly with the shorter timeframe to 2025 and the high associated budget.

3.2.2 Programme architecture

There is significant continuity in the programme architecture of most PAs in terms of the balance between national and regional programmes. In the Netherlands, the option of one national ERDF OP had been considered to replace the regional programmes. However, it was decided to continue with four regional OPs and use more joined-up approaches by combining project calls and coordination with domestic innovation instruments.

There are, however, some changes to the programme architecture in specific countries:

- **Increased number of national sectoral programmes.** In Greece, this change was deemed necessary to improve and coherence in the design, management and monitoring of programs and policies. Changes to the national sectoral OPs architecture include the setting up of a Transport Infrastructure OP and an Environment, Energy and Climate Change OP in place of a 2014-2020 OP combining both sectors. In addition, a Civil Protection OP will be set up as well as a Digital Transformation OP. There will be no Public Sector Reform OP although the Digital Transformation OP will focus, among other areas, on the digitalisation of the public sector.

- **Reduced number of national programmes.** In **Spain**, the will only one national multi-regional ERDF programme in 2021-27. In 2014-20, there were initially three national OPs (SME initiative, Sustainable Growth OP, Smart Growth OP) although the last two were formally merged into one OP mid-way through the period. In **Cyprus**, there will be a single OP Programme "Foundations of Change, Prosperity, Equality and Development" (Thaleia) in 2021-27 contrasting with two OPs in 2014-20. It is a multi-fund programme that draws funding from ERDF (€467 million), Cohesion Fund (€178 million), ESF+ (€222 million), and the Just Transition Fund (€101 million). France is making a significant reduction in the number of OPs.

- **Reduced number of national and regional programmes.** In **France**, there is a significant reduction in the number of OPs from 41 to 22 programmes with the aim to rationalise and reduce the cost of management and burden of audit. This has been facilitated by the merger of French regions in 2016.

- **Changes to NUTS territorial units have led to a reconfiguration of some regional programmes.** In **Poland**, the capital Warsaw city region (Mazovia) and nine surrounding municipalities will be categorised as a More Developed region in 2021-27, but will be kept within the overall Mazovia Regional Operational Programme. Mazovia will implement one joint Regional Programme. Within this, funds will be divided, in accordance with the current statistical division, into the Less Developed Masovian regional area and the More Developed Warsaw capital. Additionally, the Less Developed part of the region will be covered by the OP Eastern Poland in the 2021-2027 period for the first time (extending the OPs territorial coverage and budget). In **Ireland**, there are now 3 NUTS2 regions for 2021-27 (instead of two) corresponding to 3 MAs, although 2 Regional OPs have been retained with slightly different geographies. The 2 more developed regions are covered in a programme for the Southern and Eastern Region and managed by the Southern Regional Assembly. The Northern and Western Region was designated a transition region and will have a separate OP. The Southern Regional Assembly will act as MA for the ERDF OP 2021-2027, in the Southern, and in the Eastern and Midland Regions, in close co-operation with the Eastern and Midland Regional Assembly.

3.2.3 Thematic concentration

The 2021-27 period will concentrate support on a more competitive and smarter Europe (Policy Objective – PO1) and as greener, low-Europe (PO2) through requirements to concentrate at least 30 percent of funding to PO2; at least 85 percent of allocations to PO1 and PO2 in More developed regions or countries; at least 40% to PO1 in Transition regions or countries; and at least 25 percent to PO1 in Less developed regions or countries. All regions and Member States will also concentrate at least 8 percent of funding on sustainable urban development, including through local community-led development and integrated territorial instruments and other tools.

Thematic concentration is not perceived to be challenging where programmes already had a strong focus on the main policy objectives and any shifts were in line with domestic priorities (**Austria, Finland, Ireland**). There are, however, concerns about diminished flexibility to address needs on the ground.

- **Greece.** Excessive thematic concentration and climate-related preconditions have limited available investment and place-based policy options in the programmes. The obligation to dedicate 30 percent of ERDF resources to PO2 priorities has been met by changing Greece's planning on climate and biodiversity. This regulatory requirement is also viewed by a number of other member states as problematic and as being blind to conditions on the ground. Respondents view 'turf wars' between Commission DGs as having led to a fragmentation of EU funding across a multitude of Funds. The practice of setting new funds to serve each sectoral priority, followed by many Commission DGs, has led to different eligibility rules and quotas, which add to the overall administrative burden of managing EU funds.
- **Germany.** Many Länder found it challenging to integrate the thematic concentration thresholds into their programmes and the associated requirement to prove the thresholds have been met. It is likely that this has resulted in a thematic shift to some

degree in order to meet the EC requirements. One problem in Germany is that renewable energy cannot be funded under the ERDF. EC considered that there is a separate instrument under the Renewable Energy Source Act and therefore that should be excluded from ERDF. Cohesion Policy programmes in Germany will however, make substantial use of energy efficiency measures. SMEs have traditionally been a focus of support and will remain so.

- **Portugal.** The more demanding levels of thematic concentration in the new period have required greater attention in both the programming and negotiation process. Achieving a balance between the needs of policy interventions and compliance with thematic concentration rules has not always been easy to achieve and required additional effort, but the outcomes are viewed positively. Further, the SUD threshold of 8 percent has led to a more complex model than initially planned. The compromise reached with COM foresees a number of ITI instruments contributing to the ring-fencing, some fully counting towards the threshold and one (for Inter-Municipal Communities) partially and adjusted in each region depending on the share of urban population.

Thematic concentration on climate objectives is a requirement for the ERDF and CF, which must contribute 30 percent and 37 percent respectively of the funds to climate objectives (alongside climate-proofing requirements and a 3 percent incentive linked to the RRF). This has led to some challenges relating to timing and the need to change mindsets among Cohesion Policy stakeholders.

- **Netherlands.** Difficulties arose when percentages determining this threshold were changed very late in the drafting process of the ERDF programmes and the performances of measures for a circular economy in particular needed to be re-assessed. Requirements surrounding the threshold also hindered the consideration of experimental pilot projects where the final contribution to climate change mitigation is uncertain by nature.
- **Portugal.** The thematic concentration related to climate is complex and requires a change of mindset of a whole range of actors involved in implementation. The necessity to evolve in this direction is not viewed merely as a regulatory imposition but also a necessity dictated by wider context (including the rising prices in the energy market).

3.2.4 Support for Ukrainian refugees

In March 2022, the **Cohesion's Action for Refugees in Europe (CARE)** was adopted allowing Member States and regions to provide emergency support to people fleeing from Russia's invasion of Ukraine. CARE introduced flexibility in the 2014-2020 Cohesion policy rules to allow a swift reallocation of available funding to such emergency support. In addition, the 2022 envelope of €10 billion of the REACT-EU' can also be used to address these new demands within the overall aim of post-pandemic recovery.

At the end of June 2022, the European Commission tabled new regulatory provisions to facilitate assistance to Ukrainian refugees entering the territory of the Union with the **Flexible Assistance to Territories (FAST - CARE) initiative**, which aims to increase flexibility in funding under Cohesion Policy. This package brings several changes to Cohesion Policy legislation for the periods 2014-2020 and 2021-2027:

- The amount of pre financing for ERDF, ESF+ and Cohesion Fund programmes is increased by an additional €3.5bn for 2022 and 2023. Moreover, the Commission proposes to extinguish the possibility of 100 percent EU co-financing for all measures promoting the socio-economic integration of third country nationals, not only for the 2014-2020 programmes but also for the 2021-2027 period.

- As the CARE initiative has introduced the simplified unit cost for covering the fundamental needs of refugees, the Commission proposes to increase this amount for covering the fundamental needs of refugees from €40 to €100 per week per person. Member States will now be able to claim these costs for a period of up to 26 weeks, instead of the current 13 weeks.

- Projects worth more than €1 million supported under the 2014-2020 programmes that could not be completed due to price increases and shortages of raw materials and labour will continue to be eligible for support under the 2021-2027 programmes.

The use of Cohesion Policy to support refugees is not foreseen in some cases **(Austria, Germany, Denmark, Finland, France, Netherlands).** This is connected to the allocation of REACT-EU funding, which in many instances had been committed when the CARE support was adopted, and also because refugee support is seen as a wider national policy issue. In **Ireland**, support for Ukrainian refugees will be covered with the remaining React-EU funding, with support for provisions and facilities at airports providing points of first contact/one stop shops, and the purchase of a hotel to provide accommodation. In **Estonia**, Ukrainian refugees are identified as a target group in several of the planned measures in 2021-2027, although no specifically designed measures are foreseen.

3.2.5Territorial instruments

The growing prominence in Cohesion Policy of the urban dimension and the challenges faced by specific territories is reflected in the increased use of territorial instruments over time. Aside from the increased share of funding to Sustainable Urban Development (SUD) in 2021-27, arrangements generally build on experiences in 2014-20. The main changes in some cases relate to territorial coverage, the use of ITIs and support of urban-rural linkages.

- **New territories.** In **Austria**, the current approach will be continued and expanded. This means the fulfilment of the Art. 11 (ex-Art. 7) minimum earmarking of 8 percent to urban territories through a Priority Axis-based approach (no ITIs), continuing with the frameworks in place in Vienna and Upper Austria, but adding to these the already existing measures in Styria (so far outside of the earmarking in 2014-20) and the new urban measures in Carinthia. Carinthia will focus on its metropolitan area around the two cities of Klagenfurt and Villach. The current approach in Upper Austria will be expanded, likely adding two or three new city-regional strategies to the existing 13. In Portugal, a novelty in 2021-27 is that the Autonomous Regions of the Açores and Madeira will also mobilise territorial instruments and contribute to the ERDF SUD ring-fencing which was not the case in 2014-20). The approach is still being defined, but interventions are expected to be localised in areas of urban rehabilitation / regeneration in a specific city defined in the programming of the OPs (rather than covering a whole island). In Finland, there is a shift in geographical coverage from the six largest cities to cover the Helsinki region and all 18 University cities, along with significant changes in thematic focus and governance (**Box 2**)

- **More use of Integrated Territorial Investments.** In **Portugal,** ERDF SUD ring-fencing will now be covered through ITIs: ITIs for the metropolitan areas, ITIs for the urban networks, and (partially) the ITIs for the inter-municipal communities – rather than by municipalities through Priority Axes in ROPs. SUD eligibilities and thematic focus are being widened, especially towards decarbonisation, digitalisation and international competitiveness of urban centres. In **Poland**, there will be substantial expansion in use of ITIs by extending coverage to smaller cities and marginalised areas.

- **Strengthened urban–rural links.** In Austria, there are interesting developments regarding policy linkages in small urban and rural areas. The rural development / EAFRD OP will expand the inclusion of non-agricultural measures with relevance for regional policy. This includes LEADER, but also other themes that will be addressed in a bottom-up way, such as climate measures and the development of town and village centres. Regarding the latter, the territorial focus of the rural development OP will be slightly amended, so that measures in small towns can also be supported. Projects can be implemented in municipalities with up to 30,000 inhabitants or in the rural parts of municipalities with more than 30,000 inhabitants, but only municipalities or parts of municipalities with a population density below 150 inhabitants per square kilometre can be included. However, this means that many small towns can now been included, which play a crucial role for their surrounding rural areas. Together with CP-based measures, such as the ERDF-funded city-regional fora in Upper Austria, this allows for useful stimuli for urban-rural linkages.

Box 2: New approach to SUD in 2021-27 in Finland - The Ecosystem Agreements for innovation

The new ITI approach in Finland for 2021-27 will cover the Helsinki region and all 18 University cities, rather than focusing on the six largest cities (6Aika) as in 2014-20,. Finland will have one ITI strategy which includes 15 Ecosystem Agreements (the capital cities - Helsinki, Vantaa and Espoo - are included under one Ecosystem Agreement rather than having separate agreements.

The Ecosystem Agreements are a form of innovation agreement between the state and the cities. They set out the key development priorities and needs for innovation-led growth and renewal. The agreements are intended to develop the ecosystems (close cooperation networks) for innovation actions. They enable for example the gathering of research and related networks into larger knowledge hubs where different actors complement each other. One commonality for each participating city is that their development is based on University-led, top-level expertise and the utilisation of this expertise. The Ecosystem Agreement approach is very much in line with national policy thinking. The Ecosystem Agreements are also a tool to implement the objectives of other national instruments, including the objectives of the research and innovation road map, and the export and international growth programme.

In terms of governance, the ITI cities will have one national-level coordination group[1], set up by the Ministry of Economic Affairs and Employment. The role of the coordination body is to monitor, steer and coordinate the implementation of the Ecosystem Agreements (and the national 'innovation and knowledge' theme, see below). The coordination group has been established for the period of January 2022 - December 2024. There will be no joint management group (as was the case under 6Aika). Instead, each city will have their own specific group which will decide on the projects. The legal decision will then be taken at the Regional Council level.

The Finnish OP will also implement an ERDF co-financed national 'innovation and knowledge' theme. The theme supports the Ecosystem Agreements and the development of key knowledge areas in the regions as part of the national R&D&I roadmap measures. Accordingly, there are two instruments which support urban development with Cohesion Policy resources: 1) the Ecosystem Agreements and 2) the national 'innovation and knowledge' network. As noted by the chairperson of the coordination group, Petri Peltonen, the undersecretary of state of the Ministry of Economic Affairs and Employment 'this is an exceptional programme because it adopts a broad view of what is innovation policy and it has a very diverse content. The Ecosystem work also links urban and regional-level innovation actions with the national innovation policy, which makes it a unique initiative'.

As regards the **state-of-play** in 2022, the regions have been active establishing cooperation networks between businesses, universities and other RDI actors based on local expertise, as well as projects supporting green and digital transition. This work has been supported through national pre-funding.

3.2.6 Financial instruments

The Commission has been keen to increase the use of financial instruments (FIs) over successive programme periods. However, the interest in FIs varies, with approaches for 2021-27 including continuation, expansion and even termination of FIs.

- **Continuation.** In **Netherlands,** FI use will largely resemble the existing approach, with approximately one third of funding proposed for FIs. While **Finland** will continue with existing FIs, there is a transfer of 2 percent of Cohesion Policy funds to InvestEU.
- **Expansion.** In **Germany**, there was less interest in the past in financial instruments because of the high availability of finance on the open market. There is now greater interest in FIs notably to use start-up funds to encourage entrepreneurship and SMEs. In **Portugal**, the fact that the new EU rules do not in practice allow the use of repayable grants in the form used previously in Portugal means that the use of FIs to substitute for this form of grant financing has become more attractive.

- **Termination.** By contrast, **Austria** will no longer co-fund its only 2014-20 financial instrument, the OÖ Hightechfonds, which will continue as a purely domestic instrument.

3.2.1 *Enabling conditions*

Negotiations over enabling conditions have been one of the most challenging issues for some countries and programmes (Greece, Germany). Greece views the fulfilment of the enabling conditions as an excessively burdensome and time-consuming process. Further, Greek authorities consider that the Commission has taken a highly interventionist stance reminiscent of ex ante conditionalities in 2014-20, which occasionally involved defining the content of conditions. The experience in Germany suggests that many of the difficulties in negotiations reflected disagreements between different DGs within the Commission. Moreover, Austria considers that enabling conditions are complex and go beyond aspects that can be addressed by the MA or in the context of Cohesion Policy more widely. The Commission's expectations are high and have major consequences, e.g., regarding equality and how this is addressed in the Monitoring Committee.

3.2.2 *Rule of Law conditionality*

The new and controversial rule of law conditionality introduced for the 2021-27 period was enacted for the first time in September 2022. On 18 September 2022, the Commission proposed to suspend €7.5 billion in 2021-27 Cohesion Policy funding to Hungary (around one-third of its allocation) to ensure the protection of the financial interests of the EU against breaches of the principles of the rule of law. The proposal foresees a suspension of 65% of the commitments for three 2021-27 OPs with a strong public procurement dimension (Environment and Energy Efficiency OP, the Integrated Transport OP and the Territorial and Settlement Development OP) if Hungary does not provide credible commitments to implement agreements and changes to law that have been under discussion for several months. Moreover, if the OPs in question are not approved by the time the Council adopts its decision on the Commission proposal, the suspension of approval of the respective programme(s) would be decided instead.[16] The next step is for the Council do decide by qualified majority vote within a month whether to adopt the Commission proposals, with the possibility to extend the decision by two months. As highlighted by Bachtler and Mendez,[17] a likely consequence of this new conditionality is that Cohesion Policy decision-making and debate will become more politicised with greater attention on the policy in the media and public debate.

3.2.3 *Complementarity and synergy with NRRPs: review of PAs*

A new requirement for 2021-27 is to identify and pursue complementarities and synergies between Cohesion Policy funds and the NRRPs. This information must be included in a specific section on PA Funds and other EU instruments including the RRF. A number of conclusions can be drawn from reviewing this section of the PAs.

First, the level of information provided in the PAs on complementarities and synergies with the NRRPs varies significantly. Some PAs contain general statements, albeit with the most important examples of complementarities and overlaps across Funds/POs (AT, BG, DE, FR, IT, LU, SE). In the case of France, the PA states that more detailed information is available in a methodological guidance note. By contrast, a smaller group of PAs provide more detailed and structured information on NRRPs/CP complementarity differentiating all five Policy Objectives and/or specific objectives and interventions (ES, FI, PL, PT). Spain provides the most in-depth information by systematically reviewing and justifying complementarities and overlaps between each specific objective of the PA (within each Policy Objective) and NRRP components.

Second, none of the PAs appear to include provisions for financial transfers of Cohesion Policy funds to the Recovery and Resilience Facility.

Third, the most common justifications used to address issues of demarcation and complementarity are:

- **Instruments/measures:** Most PAs highlight policy instruments/measures covered by the PA that are not supported in the NRRPs and vice versa.
- **Temporal continuity and development**. The RRF will intervene primarily during the first years of the programme in fields generally supported by ESIF though acknowledging that demarcation is still required (**France**). ESIF can further develop and consolidation RRF measures in the latter part of the period e.g. infrastructure (**Italy**), employment measures (**Finland**), urban agenda (**Spain**). The earlier NRRP projects can also have a preparatory effect for ERDF projects (**Austria**).
- **Territorial coverage**. In **Finland**, ERDF actions are mainly small-scale and local in nature or regional projects tailored to individual, well-defined needs, while the perspective of RRF measures is national covering the entire country. **Poland** emphasises territorial demarcation for broadband and R&D infrastructure.
- **Project or firm size.** NRRPs often focus on larger projects (**Austria, Belgium, Finland, Italy, Poland**). For instance, **Poland's** support to innovative, digital solutions in large enterprises will be complemented under the PA programs with SME support (support for large enterprises will be possible only after meeting additional conditions resulting from relevant regulations).
- **Target groups.** In Sweden's NRRP, climate measures are aimed at a wider set of target groups than the JTF measures. **Austria's** ESF+ measures address a broader target group than the NRRP and are thematically more open. By contrast, Italy's ESF+ measures target specific groups (extreme poverty, hard to reach and hard to treat, women, people in transition, mentally disabled) not directly covered by NRRP interventions.

Finally, in terms of institutional governance, a number of PAs emphasise **the importance of checks at project level and of institutional coordination.**

- **Demarcation at project level is implemented by the funding departments, agencies and programme authorities** (AT, DE, FR, IT, ES). In Germany, the programme authorities carry out so-called coherence and compatibility checks during the programme planning phase and check whether a mutual complementarity of the EU Structural Funds programmes with the NRRP makes sense and would not be linked with any negative consequences, e.g. absorption rates.

- **The importance of institutional coordination at national** is emphasised in some PAs (e.g. Austria, Germany) or for specific POs (Poland).

    - **Germany:** the Federal Ministry of Economic Affairs and Climate Action coordinates the programme planning of the Länder with regard to complementarity with the NRRP and ensures exchange of information between the Länder and the federal departments responsible for those federal funding programmes covered by the NRRP. The Federal Ministry of Labour and Social Affairs coordinates the programme planning of the Länder and the federal government ESF+ in terms of coherence with the NRRP. The Federal Ministry of Finance coordinates the application for and use of the RRF funds. The departments will continue the exchange and coordination between the responsible authorities in the context of the further implementation of the Structural Funds to ensure complementarity, synergies and further promote coherence.

    - **Poland:** The Just Transition Council is a new institutional body contributing to ensuring the complementarity of actions between the Polish PA's dedicated 'Just Transition' Policy Objective and the NRRP. The Council will be an advisory and coordinating body supported by the Partnership Agreement Committee.

Section 4 broadens the focus to consider the implications for Cohesion Policy of the expanding range of EU instruments and the pursuit of complementarities.

4 NEW EU INSTRUMENTS AND COHESION POLICY: COMPLEMENTARITIES OR COMPETITION?[18]

In the face of an increasingly multi-faceted EU funding landscape, the development of policy complementarities between Cohesion policy and other EU instruments has become a priority. The 8th Cohesion Report underlines the need to be more focused on real policy complementarities.[19] The conclusions of the recent General Affairs Council of 2 June 2022 emphasised the longer term importance of strengthening complementarities and synergies with other relevant European policies. An expert meeting[20] and the Informal Ministerial meeting[21] organised under the Czech EU Presidency devoted substantial time to discussing the relationship between and other instruments whose implementation has implications for economic, social and territorial cohesion objectives. Instruments include established initiatives (e.g. Horizon Europe and the Connecting Europe Facility), where efforts to strengthen complementarities and synergies have already been made in 2014-20. New initiatives have been launched in recent years, including the Recovery and Resilience Facility (RRF) in response to the pandemic and the Just Transition Fund (JTF) as part of the EU's 'green transition' agenda and the REPowerEU Plan for energy independence from Russian fossil fuels by 2027.

These EU instruments have the potential to support Cohesion Policy in pursuing cohesion objectives. The avoidance of duplication and overlaps in EU Funds and instruments is a basic goal. However, potential benefits include: effectiveness gains from articulating more coherent strategies and coordinating investments; efficiency gains from sharing capacities, resources and knowledge across funding bodies; and, strengthened transparency and accountability in establishing a more visible link between EU policies and needs at national and regional levels. Moreover, there is potential for processes of learning and exchange between policies and instruments to inform reform processes.

In practice, fragmentation in implementation arrangements across instruments, Funds and levels of governance remains a persistent challenge for the objective of cohesion. There are also regulatory challenges, for instance those stemming from the increased focus on green transition (e.g. reinforced horizontal principles (including the Do No Significant Harm principle), a move from ex-ante conditionalities to enabling conditions, new thematic concentration requirements etc.

Furthermore, the pursuit of complementarity raises important questions for the evolution of Cohesion Policy. There is a risk that the priorities and funding of programmes may be diverted to support the objectives of other instruments and that the status of the policy is diminished, becoming a source of administrative or budgetary support for other policies. However, the launch of RRF brings substantial additional investment in addressing cohesion challenges. Moreover, Cohesion Policy can benefit from RRF reforms in areas such as institutions, governance arrangements, legal systems and the involvement of civil society. Article 28 of the RRF regulation requires Member State to foster synergies and ensure effective coordination among different instruments, including Cohesion Policy, at Union, national and regional levels.[22]

4.1 Complexities

Policy responses to cohesion challenges are complicated by the increasing resources allocated to a growing number of EU funds and instruments. Table 3 illustrates the contrasting characteristics of Cohesion Policy and the RRF; each has different thematic and territorial overlaps with Cohesion Policy Funds, offering scope for positive interactions but presenting challenges in aligning objectives, spatial targeting, forms of assistance, governance arrangements, timescales etc.

In principle, there is scope to address the challenges posed by this increasingly complex policy landscape and develop positive interactions between Cohesion Policy and these instruments. Such opportunities can be organised under key dimensions: governance mechanisms (e.g. coordination bodies or fora), strategic planning (managing the choice of priorities, the allocation of funding, setting of objectives, types of actions and beneficiaries), integrated implementation in the development of project pipelines and selection of projects, and financial complementarities to transfer, sequence or coordinate funding.

Table 3: Key characteristics of Cohesion Policy and the RRF – 2021-2027

	Cohesion Policy	RRF
Objectives	Economic, social, territorial cohesion, reducing disparities.	Mitigating impact of pandemic, make economies & societies sustainable, resilient, prepared for green and digital transitions.
Budget	ERDF €200bn, CF €42.5 bn, ESF+ €88 bn.	€672.5bn.
Financing	Regular payments across the period. Disbursement largely based on real costs incurred.	One-off payment (with advance to MS worth 13% of volume). Payment based on estimated costs agreed in advance, disbursement once results & targets achieved.
Aid intensity	Projects partially covered by EU co-financing.	Projects are funded 100% by EU.
Spatial targeting	COM allocates funds to MS based on statistical criteria: MS allocates to OPs, regions, focus on less-developed.	Allocation at MS level based on population, GDP pc and unemployment rate.
Thematic targeting	Ring-fencing to 5 Policy Objectives (smarter, greener, more connected, more inclusive and territorially integrated Europe).	Climate investments and reforms and digital transition but no tightly prescribed thematic or territorial focus.
Forms of assistance	Grants, loans, guarantees.	Mix of reforms, grants and loans.
Management	Shared: project selection at national/sub-national level during whole life cycle of OPs without direct COM involvement.	Direct: projects/reforms in NRRPs negotiated between COM and MS and approved as a package at the start of process. Funds disbursed based on progress.
Time-frame	Multi-annual (2021-2027).	Emergency response to COVID 19 running for 6 years (2021-26).

Source: own elaboration

Nevertheless, there are concerns over the extent to which complementarities can be achieved. There are the aforementioned difficulties in harmonising Cohesion Policy-RRF drafting timetables that have in some cases disrupted Cohesion Policy programming.[23] Moreover, concern over the extent of complementarity is heightened by the separate institutional arrangements for drafting the NRRPs and Partnership Agreements in many Member States, and the lack of involvement of local and regional authorities.[24] In June 2021, the European Parliament adopted a resolution on the assessment of NRRPs that regretted the lack of coordination between plans and ESIF programmes and 'insufficient' involvement of local and regional authorities in the drafting process.[25]

Most Member States plan to establish links between Cohesion Policy and RRF implementation, but there is a risk of administrative overload. Implementing RRF alongside Cohesion Policy progammes will bring additional workload to public administrations, particularly in Member States with less administrative capacity.[26] Differences in investment scale/type, beneficiaries and timescales inevitably means parallel processes for data collection, monitoring and evaluation.[27]

Financial interaction between Cohesion Policy and the RRF is encouraged by regulations but has raised concern among programme authorities. Article 9 of the RRF regulation states that reforms and projects may receive support from other Union programmes and instruments. However, there is a risk of duplication, substitution and 'crowding out' of funding, with implications for Cohesion Policy absorption. The two instruments are governed by separate regulations, offering different incentives and costs for managing authorities and beneficiaries, in terms of thematic and spatial targeting and aid intensity. RRF use of financing not linked to costs introduces the potential for administrative simplification, although experience of this is limited and there are uncertainties on how it can be applied to a combination of reforms and investments. Milestones[28] and targets[29] must be agreed with the Commission to measure progress towards the achievement of reforms (e.g. labour market, judicial) or investments, specifying a stage to be reached by a certain date. The fact that the RRF is a one-off opportunity with a limited timescale also requires Member States to identify and propose high-performing projects which they are confident they will deliver quickly. The RRF introduces more simplified financial management and control system, avoiding some processes associated with multi-level Cohesion Policy governance under shared management. Given this, it is possible that the management authorities (which will often be the same as those managing Coesion Policy) will favour the RRF rather than Structural and Cohesion funds to finance needed investments.[30]

Box 3: Pursuing complementarities between Cohesion Policy and RRF - challenges

- The simultaneous programming of Partnership Agreements/Operational Programmes and NRRPs has complicated coordination and overloaded administrative capacity.
- Whereas some Member States are using the same authorities to manage Cohesion Policy alongside RRF (enabling interventions to be coordinated), other Member States have separate governance structures for different funding streams with limited coordination.
- The sectoral or thematic focus of RRF is challenging to align with Cohesion Policy in terms of geographical targeting and resource allocation.
- The involvement of local and regional authorities in the governance of new instruments varies greatly, with minimal involvement under many NRRPs.
- Thematic overlap risks duplication and rivalry with Cohesion Policy, particularly as RRF is perceived as offering stronger incentives for beneficiaries (e.g. in terms of timescale, aid intensity, financial management). This may have significant implications for absorption of cohesion funding and for the broad objective of cohesion.

The simultaneous implementation of Cohesion Policy and RRF operations creates challenges for beneficiaries (see Box 3). The RFF may be perceived as offering an 'easier' management system and a substitution effect could arise. There is also a risk of duplication as RRF and Cohesion Policy payments may be subject to different levels of control and audit potentially involving the same beneficiaries. This may be unclear to beneficiaries, managing authorities and audit authorities. At the same time, if the RRF performs well, it could offer some lessons for the future of Cohesion Policy that will benefit both programme authorities and beneficiaries. For example, the speed of approving national recovery plans and the results-based approach of the RRF may contribute to discussions of simplifying Cohesion Policy. Thus, efforts to strengthen complementariness between Cohesion Policy and RRF must address a series of challenges (see Box 3).

4.2 Emerging responses

Actions to overcome these challenges and strengthen complementarities are emerging. These can be explored under four general headings: governance arrangements, strategic planning, implementation processes and financial relationships. Specific cases from MS are outlined below to provide more detail on practices under each category.

4.2.1 Governance systems

Governance systems provide different configurations of high-level support and cross-cutting thematic and territorial fora to encourage coordination and complementarities (see Box 4Box 4).

- Member States with large RRF allocations generally have an inter-ministerial committee/commission to coordinate relevant areas of NRRP investment (EL, ES, PL, PT). In several cases, the management of NRRPs and Cohesion Policy are in the same ministry (ES, IE, LV, MT, PL, RO, SI), with a view to utilising the same systems and procedures insofar as possible. More common is a separation of management responsibility for the NRRPs and PAs, with various types of mechanism (working groups, committees etc) to facilitate cooperation. .

- In Member States with smaller allocations, the coordination mechanisms between Cohesion Policy and RRF are less institutionalised, relying on operational cooperation between relevant units in different ministries (BE, DK, NL).

- The RRF requires engagement with partners (in line with national frameworks), particularly in the preparation of programmes, but this is less of an obligation than the partnership principle in Cohesion Policy**.** In a small group of countries, regional and/or local governments have actively participated in the development of NRRPs (BE, DE, FI, FR, LV) and are envisaged as having a major role in implementation arrangements (DE, FR), although the details are not always elaborated in plans. Elsewhere, subnational actors, civil society and the private sector have been largely involved (so far) only as consultees, at the outset of the drafting process or on draft plans, or project proposers. In part, this reflects the dominance of national measures and the responsibility for reforms and investments at national level.

Box 4: Complementarities in governance of Cohesion Policy and RRF in France

In 2013, France set up a joint State/Regions Committee to steer Cohesion Policy. This addressed the need for coordination arising from new decentralisation laws, which delegated management of Cohesion Policy to the regions for 2014- 2020. The committee meets on average every three months during intense negotiation phases, as was mostly the case between 2018 and 2021. It was co-chaired during this period by the Minister for Cohesion Policy and the President of Régions de France (the representative body of French regions). The committee brings all regional elected representatives together with the main ministries and enables key decisions on the implementation of EU funds to be taken on the basis of a shared agenda and prior technical analysis.

The permanent nature of collaboration between the state and the regions through this structure was vital in strengthening Cohesion Policy/RRF complementarity when it became clear that there was a risk of direct technical and political competition between the funds. The Committee met at the end of 2020 and decided to draw up a guide dealing with the calibration issues specific to each area of policy. Some 30 thematic meetings took place over a two-month period in early 2021 to discuss the most suitable dividing lines between cohesion and recovery, particularly in areas which both marked as priorities – most importantly the green/digital deal. At these meetings, officers responsible for managing NRRP measures shared the specific nature of each measure with a panel of programme representatives and all present concluded on the simplest and most efficient solutions. A key lesson was that efficiency lay in the unrestricted sharing of information and arbitration at national level. A common Handbook to guide implementation of Cohesion Policy and RRF was developed.

The need for meticulous examination led to the creation in each region of a co-funding committee comprising representatives of the state, state agencies responsible for the RRF, and the regional managing authorities.

Source: Cichowlaz, P. (2022) Complementarity between the RRF and cohesion: EU public policy governance in France in ECA (2022a), *op. cit.*[31]

4.2.2 *Strategic planning*

The development of PAs and the approval and/or amendment of OPs and the drafting of work programmes and strategic plans of EU Funds and instruments provide opportunities for strengthening strategic complementarity. For example, the NRRP in Portugal demonstrates strategic coherence between different support instruments in 2021-27, including strategic/thematic coherence with the ESIF PA 2021-27 (Box 5).

The experience in several Member States appears to be one of close and effective cooperation between NRRP and PA departments in drafting plans, including several cases of integrated drafting (e.g. EL, FR, LV, MT, PL, RO, SI), but this is not universal. One difficulty has been prioritisation of the 'hard' deadline for NRRPs, in some cases leading to programming of the PAs being partially suspended (RO) or given lower priority.

Smart Specialisation Strategies have proven valuable in providing a specific focus for complementarities under the heading of research and innovation. In Finland, R&D&I activities which are co-financed by ERDF (under PO1) must be based on the regional Smart Specialisation Strategies. This complements at the regional level Pillar 3 of the NRRP (R&D&I, research infrastructure and piloting) which focuses on the national level. Furthermore, during project assessment and payment phases, analysis is carried out to ensure that same costs are not funded from multiple sources (e.g. JTF, RRF). The procedures of each authority are described in detail in the description of the management and control system or other similar documents.

Box 5: Strategic complementarities between the RRF and the 2021-27 Partnership Agreement, Portugal

In Portugal, work has been conducted to ensure appropriate demarcation and complementarities between interventions under the two frameworks. Many areas supported under the RRF will not be funded by ESIF, and demarcation lines have been defined based on investment phase, implementation timeline or project typology (see Table below).

NRRP Components		2021-27 Partnership Agreement				
		PO1	PO2	PO3	PO4	EMFF
Resilience	National Health Service				♦	
	Housing					
	Social Responses				o ♦	
	Culture	o ♦			o ♦	
	Business capitalilsation & innovation	♦				
	Qualifications & competences				o ♦	
	Infrastructures	♦		♦		
	Forests		♦			
	Water management		♦			
Climate Transition	**Sea**	o ♦	o ♦			o ♦
	Decarbonisation of Industry		o ♦			
	Sustainable Bioeconomy		♦			
	Energy efficiency in buildings		o ♦			
	Hydrogen and renewables		o			
	Sustainable mobility		♦ ■	♦		
Digital Transition	Enterprises 4.0	o ♦				
	Quality & sustainability of public finances					
	Economic justice & business environment					
	Public Administration	♦				
	Digital school				♦	

Types of complementarities: ■ distinct phases of large investments; o distinct calendars; ♦ different typologies (by scope or by promoter).

Source: Adapted from Portuguese RRP "Recuperar Portugal, Construindo o futuro", 22 April 2021, p.214.

Demarcation is an important precursor to developing complementarities. Although complementarity between Cohesion Policy and RRF is being pursued, demarcation is important to avoid duplication and 'crowding out' of funding.[32] This applies particularly to

Member States with a mix of national (sectoral) and regional programmes, where demarcation is an important precursor to developing complementarities (e.g. Poland, Slovakia).

4.2.3 *Implementation processes*

Coordination and complementarities rely on policies being implemented in an integrated way.[33] Complementarities can be pursued at different stages of the implementation process and in the development of project 'pipelines'. Project generation and selection processes can build links between investments from different funds, build on each other over time or be implemented simultaneously. The participation of representatives of other instruments in project appraisal or selection processes and the incorporation of the aims of other instruments in project selection criteria supports this. Joint monitoring and evaluation of the progress and impact of different instruments, or shared communication networks also strengthen synergies and complementarities. The use of specific types of investment instruments to support complementarity. For financial instruments, support to final recipients can be combined with support from other EU instruments and may cover the same expenditure item.

Box 6: Complementarities in RRF/ESIF implementation in the Netherlands

Although the RRF resources will not be available in the Netherlands until 2022, the fund is seen as a source for positive interaction with Cohesion Policy. The focus of RRF investment priorities on green and digital priorities is very similar to those of cohesion programmes, and this potentially supports both the deployment of Cohesion Policy projects and innovations at a larger scale and the targeted support of national-scale RRF measures. Upon request of the involved ministries, the MAs have identified the following opportunities for this.

The broader 'deployment' of Cohesion Policy innovations through RRF. Larger RRF projects can follow on from pilot or experimental actions funded by Cohesion Policy. For instance, where ERDF would support small-scale neighbourhood projects to shift households away from gas supplies, RRF could fund large scale heat networks from renewable sources or scale up the neighbourhood projects to a wider area.

Targeted Cohesion Policy support for national RRF reforms or investments. For instance, if RRF is used on the labour market, it would be complementary to ESF+. Nationwide RRF reforms focussing on improving the skills of those in work, could be complemented by ESF+ support guiding specific groups of vulnerable unemployed and employed workers towards a (new) job.

Source: IQ-Net research

Coordination in timing of RRF and Cohesion Policy implementation is being pursued to strengthen complementarity. Certain investments are being funded under NRRPs in the first part of the period, and with Cohesion Policy thereafter (CZ, ES, PT, BE, DK, NL). In Denmark, RRF will finance national reforms and initiatives (tax breaks, buying land etc.), while Cohesion Policy follows up with more detailed, smaller scale project implementation. In the Netherlands, although the RRF resources the fund is seen as a source for positive interaction with Cohesion Policy, pursued through coordinated implementation (see **Box 6**).

Specific Cohesion Policy implementation tasks are being aligned with RRF to promote synergies. Implementation processes and experiences from the delivery of cohesion programmes are generally seen as important resources for RRF, especially given the short time-frame for the preparation of NRRP implementation systems. The use of Cohesion Policy institutional and management systems and procedures in the delivery of the NRRP measures is in some cases viewed as a way to ensure the synergy of implemented activities, avoid double financing and promote consistency (e.g. in Poland). Nevertheless, dealing with additional workload in programme authorities who will have to produce indicators, monitor data and provide information in reports, at the same time as having to complete the disbursement of the 2014-20 Cohesion Policy commitments until 2023, requires substantial administrative capacity.

4.2.4 Financial complementarities

The CPR and regulations for other Union Funds and instruments, including RRF, provide strengthened scope for the transfer of resources between instruments. The existing mechanism for voluntary transfers amounts to up to five percent (€17.7 billion) of cohesion funding shifting to other instruments under direct or indirect management. A key challenge is ensuring balance so that Cohesion Policy can contribute to other EU instruments and objectives while maintaining its own objectives and ensuring that other instruments contribute to cohesion goals.[34]

Assessment of Partnership Agreements provides little evidence of plans to transfer Cohesion Policy resources to National Recovery and Resilience Plans, as noted in the previous section, but the policy landscape continues to evolve. In May 2022, the European Commission presented the REPowerEU Plan to end dependence on Russian fossil fuels by 2027 and accelerate the green transition, which includes scope to transfer potentially substantial amounts of cohesion funds to dedicated chapters in NRRPs. The proposal introduces the possibility of transferring up to an additional 7.5 percent of Member State allocations under Cohesion Policy to support REPowerEU activities under the RRF. This would bring in up to €26.9 billion, mainly from the ERDF.[35] This additional amount would be conditional on the full use of the existing transfer mechanism. The fact that REPowerEU measures do not require national co-financing could be an incentive for Member States to make these transfers. However, they could result in the reallocation of funding from regional to national level in some Member States as REPowerEU does not necessarily have a regional component.

4.3 Key issues

The expanding array of instruments and funds that directly or indirectly address cohesion challenges raises crucial questions for Cohesion Policy. There are immediate, practical issues to be adressed, identifying how Cohesion Policy can be part of a more coherent and coordinated response to cohesion challenges across different policy areas. Member States are exploring how strategic frameworks, governance systems and implementation arrangements can be adapted to pursue synergies and complementarities and avoid overlaps.

There are opportunities for knowledge to be exchanged and lessons to be learned from strengthened links between policies. There are pressures for further simplification of Cohesion Policy and aspects of the programming and implementation of new instruments could profitably be utilised in this respect. The speedy design and adoption of programmes, the outcome focus of interventions (and use of 'financing not linked to costs'), co-financing rates and the treatment of state aid are aspects of implementation that could be reviewed based on the evidence for delivery of NRRPs.

This should not undermine Cohesion Policy's distinctive attributes. Cohesion Policy has a crucial role to play alongside new instruments in supporting the long-term, strategic objective to reduce territorial disparities and increase convergence. IT reconciles long-term EU priorities with immediate needs on the ground, providing a unique insight into regional and local challenges via its regular exchanges with stakeholders and consultation before and during implementation of programmes. This helps the policy adapt and respond to both short-term and long-term challenges. Cohesion Policy has the set up enabling it to turn threats into new opportunities, through tailor-made strategies. It is through its unique place-based approach in the spirit of the partnership principle, that these structural challenges can be overcome. An urgent question for the current period and for the post-2027 debate is how Cohesion Policy can respond, alongside other instruments, to each new challenge without risking its unique characteristics.

5 ISSUES FOR POST-2027 REFORM

Although the reform debate has not started in earnest, the Commission used the 8CR to promote a discussion on *"how to ensure that place-based, multilevel and partnership led approaches continue to improve cohesion, while building on synergies and mainstreaming cohesion objectives into other policies and instruments"*. The Commission's assessment of policy responses for the post-2027 debate is set out under three headings addressing: new drivers of disparities; strengthening the role of regions; and developing tools for the future (Box 7).

Box 7: Commission assessment of policy responses for the post-2027 debate

1. **Addressing new drivers of disparities**
   - Ensuring a fair transition
   - Strengthening resilience and responsiveness to asymmetric shocks
   - Helping regions to respond to demographic change
   - Addressing pressure on democracy and its values
2. **Strengthening the role of regions in building Europe's future**
   - Creating new economic perspectives for less developed and peripheral regions
   - Embedding innovation in all regions
   - Strengthening cross-border and interregional cooperation
   - Strengthening urban-rural links and the role of smaller cities and towns in supporting rural areas
   - Addressing the needs of left behind places
3. **Developing the tools to deliver cohesion towards 2050**
   - Increasing the effectiveness of place-based policies
   - Further streamlining the delivery of Cohesion Policy for beneficiaries
   - Strengthening the role of Cohesion Policy in unlocking public and private investment in the green, digital and demographic transitions
   - Increasing investments in people throughout their life
   - Enhancing complementarities within other EU policies (notably coordination with Recovery and Resilience Facility resources)

Source: *EPRC research*

The Commission's assessment underscores several key issues facing Cohesion Policy.[36] First, the above challenges for cohesion cannot be addressed by Cohesion Policy alone and require a broader response by the EU encompassing other EU policies that can influence territorial challenges. Indeed, as the Commissioner for Regional Policy has said *"all policies must have a regional perspective"*.[37] This poses the question of how greater complementarity and synergies between Cohesion Policy and new EU instruments can be managed (see Section 4 above). It will be interesting to see whether and how the Commission can operationalise the principle of 'do no harm to cohesion' and proposals for territorial impact assessment of other EU policies. This of course a challenge not just for the EU level: there is a task for Member States to make key national sectoral policies more territorially sensitive. The developments in Member State regional policies to promote more effective coordination between regional and sectoral policies are interesting in this respect, such as the German initiative to evaluate all federal funding programmes on their spatial impact.

It is possible, though, that Cohesion Policy will be subject to more prescriptive EU economic governance, which – as with the RRF – drives investment through EU-level decision-making on investment priorities. The State of the Union 2022 address by Commission President Ursula von der Leyen announced that "new ideas for our economic governance" would be proposed by the Commission in October 2022 that would simplify rules to "open the space for strategic investment", flexibility on debt reduction, and more accountability in delivery, as well as greater financial participation in 'Important Projects of Common European Interest'. The institutional reforms proposed by the French and German leaders (see Section 2) also indicate potential major changes in governance.

Second, while Cohesion Policy has shown itself to be an effective EU tool to respond to crises, there is question of the balance with the key objectives of Cohesion Policy. At the Informal Ministerial Meeting under the Czech Presidency, Member States voiced concern on the use of the Funds as anti-crisis tools and advocated retaining the focus on long-term structural change and development. It is notable that the Commission has included 'crisis response' in its ex post evaluation of the 2014-20 period (see below) which will provide systematic data on the role of the policy in crises for the first time.

Third, a key principle of Cohesion Policy is its implementation through multi-level governance involving both vertical and horizontal partnerships across and within levels of government. The principle has, though, come under pressure with the increasing prescriptiveness of Cohesion Policy regulations and the centralisation of decision-making and programming in some countries. The 8CR noted that regional and local autonomy is considered a key factor for promoting place-based policies but is relatively low in cohesion countries. The need for a stronger regional focus and reinforcement of multilevel governance was a theme of the French EU Presidency and the Cohesion Forum.

Fourth, the evidence for the effectiveness of Cohesion Policy will clearly play an important part in the reform debate (also in comparison with the effectiveness of the new EU instruments. The Commission has launched the ex post evaluation of the 2014-21 period encompassing monitoring data/systems, impact of funding, RTDI, ICT, SME support, climate and environment, network infrastructures, employment, education and social cohesion, administrative capacity, Interreg, crisis response, and integrated territorial development.

A particular challenge will be the assessment of policy performance for a period which was late starting and then disrupted by the pandemic – with implications for absorption, effective and timely project implementation, and the consistent provision of monitoring data.

- One question is whether the application of the performance framework and requirement for a 'theory of change' to the design of interventions, as well as additional conditionalities, will demonstrate more effective programmes as predicted at the outset.

- Another question is whether the smart specialisation has promoted more innovative, soundly based and effective regional and local development strategies. Some of the research conducted to date has been sceptical on this issue with evidence of a proliferation of objectives in some areas, mimicry of neighbouring areas and loose connection with regional conditions.[38]

Finally, the reform debate will need to address issues of delivery and capacity. A persistent problems for the policy for the past two decades has been the growing complexity of the management and implementation system. There has been a so-called 'layering' of regulatory requirements (including an 'audit explosion')[39] that have placed growing demands on coordinating and managing authorities, intermediate bodies and beneficiaries.

There has not yet been time to assess the impact of the simplification measures introduced for the 2021-27 period, which have been largely welcomed by programme authorities. However, this is unlikely to get around the problem of major differences in quality of government which persist, despite the investment in administrative capacity-building and reforms. Research shows that capacity influences the degree to which national and regional authorities can absorb funding, ensure regularity and avoid errors, and achieve strategic objectives and outcome targets.[40] As noted in Section 3, there are major challenges in current programming, as well as REACT-EU and JTF, and implementing the ambitious targets of the green and digital transition, and achieving synergies with other instruments. The introduction of a different implementation model under the RRF inevitably poses the question of whether a more fundamental and systemic reassessment of the Cohesion Policy model is possible and desirable.

Notes

[1] Coronavirus Dashboard: Cohesion Policy Response to the Crisis, status at 29.8.2022.

[2] REACT-EU: Fostering Crisis Repair and Resilience, Dashboard status at 29.8.2022

[3] Michie, R., & Dozhdeva, V. (2020) When it rains it pours: programme management in a time of crisis. IQ-Net Review Paper 46(1), European Policies Research Centre Delft.

[4] COVID-19 situation in the WHO European Region, Word Health Organisation, 28.8.2022

[5] How common is long COVID and is Europe underestimating this 'pandemic within the pandemic'? euronews.next, 13.5.2022

[6] Council of the EU (2021) *The contribution of cohesion policy programmes to recovery, competitive sustainability, green and digital transition, resilience and economic, social and territorial cohesion – challenhes and opportunities in the coming years = Policy debate*, Note from the SK Presidency to the Permanent Representatives Committee/Council, 13196/1/21 REV 1, Brussels, 10 November 2021

[7] OECD Hub, War in Ukraine: Tackling the Policy Challenges

[8] The financial support is part of a broader response to the refugee crisis involving an estimated €1bn of humanitarian aid and budget support as well as loan funding and flexibility for refugees to move to and across and the EU. A good summary is provided in: Rasche L (2022) Ukraine: A paradigm shift for the EU's asylum policy? *Policy Brief,* Jacque Delors Centre, Hertie School

[9] State of the Union 2022 – Achievements, European Commission.

[10] European Commission (2022) *2022 European Semester - Spring Package,* Communication from the Commission to the European Parliament, the Council, the European Central Bank, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank, COM(2022) 600 final, Brussels, 23.5.2022

[11] See for example: Cornago E and Springford J (2021) *Why the EU's recovery fund should be permanent*, Centre for European Reform, November 2021. Watt A (2022) Recovery and Resilience: stop-gap or sea-change? *Social Europe*, 30 May 2022. Creel J, Leron N, Ragot X and Saraceno F (2021) Embedding the Recovery and Resilience Fund into the European Semester, *ETUI Policy Brief*, 2021.14.

[12] Speech By Emmanuel Macron at the Closing Ceremony of the Conference on the Future of Europe, French Presidency of the Council of the European Union, 10 May 2022.

[13] Europe is our future – Speech by German Chancellor Olaf Scholz in Prague, Insight Monitoring EU, 29 August 2022.

[14] Council of the EU (2021) op. cit.

[15] *Ibid.* p.xxii.

[16] European Commission (2022) Proposal for a Council Implementing Decision on measures for the protection of the Union budget against breaches of the principles of the rule of law in Hungary, COM(2022) 485 final 2022/0295 (NLE), 18.9.2022, Brussels.

[17] Bachtler, John and Mendez, Carlos; Coman, Ramona and Crespy, Amandine and Schmidt, Vivien A., eds. (2020) Cohesion and the EU's budget : is conditionality undermining solidarity? In: Governance and politics in the post-crisis European Union. Cambridge University Press, Cambridge, pp. 121-139. ISBN 9781108612609 (https://doi.org/10.1017/9781108612609.009

[18] This section draws on research papers prepared in support of the Portuguese and Czech EU Presidencies.

[19] European Commission (2022) Cohesion in Europe towards 205', *Eighth report on economic, social and territorial cohesion*, Luxembourg, Publications Office of the European Union

[20] Expert Meeting Cohesion Policy & New Instruments: From Co-existence to Synergies, Prague, 8 July 2022.

[21] Informal meeting of Ministers responsible for Cohesion Policy, Prague, 1-2 September 2022.

[22] Interview with European Commissioner for Cohesion and Reforms Elisa Ferreira in EURACTIV podcast *Cohesion and Recovery fund: friends or foes?, 22 June 2021*, https://www.euractiv.com/section/economy-jobs/news/cohesion-and-recovery-funds-friends-or-foes/.

[23] Ferry M and Kah S (2021) *Pursuing Positive Interactions – within Structural Funds and with the RRF*, IQ-Net Thematic Paper 48(2), European Policies Research Centre Delft.

[24] Valenza A, Iacob A, Amichetti C, Celotti P, Zillmer S and Kotrasinski J (2021) *Regional and local authorities and the National Recovery and Resilience Plans*, Study for the European Committee of the Regions, Brussels.

[25] European Parliament resolution of 10 June 2021 on the views of Parliament on the ongoing assessment by the Commission and the Council of the national recovery and resilience plans (2021/2738(RSP)).

[26] Corti F and Núñez Ferrer J (2021) *Steering and Monitoring the Recovery and Resilience Plans. Reading between the Lines*, Recovery and Resilience Reflection Papers, No. 2, April 2021, CEPS, https://www.ceps.eu/wp-content/uploads/2021/04/Recovery-and-Resilience-Reflection-Paper-No-2.pdf

[27] Koopman, G.J. (2022) 'Cohesion Policy & the Recovery and Resilience Facility: not just two sides of the same coin' in ECA (2022) *Cohesion and NextGenerationEU: concord or clash?* Journal no.1, 2022.

[28] A milestone can be associated to qualitative achievements (adopted legislation, etc.), and details *desirable content and characteristics.*

[29] *A target can* be associated to quantitative results (number of beneficiaries, number of unemployed having been trained etc.).

[30] Ferry M and Kah S (2021) *op cit.*

[31] ECA (2022a) *Cohesion and NextGenerationEU: concord or clash?* Journal no.1, 2022.

[32] European Commission (2021) *Commission Staff Working Document - Guidance to Member States, Recovery and Resilience Plans*, Brussels, 22 January 2021.

[33] EPRC (2018) *Analysis of the coordination of EU funding programmes in selected EU Member States (focus: institutional settings).* Report to the Ministry of Regional Development of the Czech Republic.

[34] Papadimoulis D (2018) *Cohesion distribution could be improved but we don't accept cuts*, euractiv.com, 9 July 2018.

[35] ECA (2022b) Opinion 04/2022 (pursuant to Article 287(4) and Article 322(1)(a), TFEU).

[36] Bachtler J (2022) *The 8th Cohesion Report: Questions for the Future of Cohesion Policy,* EoRPA Coffee Break Workshop, 28 April 2022.

[37] https://ec.europa.eu/regional_policy/en/newsroom/events/2022/03/8th-cohesion-forum

[38] Cataldo et al

[39] Mendez C and Bachtler J (2011) 'Administrative reform and unintended consequences: an assessment of the EU Cohesion Policy "audit explosion"', *Journal of European Public Policy* 18(5): 746–765.

[40] Mendez C and Bachtler J (forthcoming, 2022) The quality of government and administrative performance: Explaining Cohesion Policy compliance, absorption and achievements across EU regions, *Regional Studies.* Available at: https://www.tandfonline.com/doi/full/10.1080/00343404.2022.2083593

EoRPA RESEARCH

This paper has been prepared by John Bachtler and Carlos Mendez at the European Policies Research Centre (EPRC) for the EoRPA European Regional Policy Research Consortium, EoRPA. In 2021-22, EoRPA partners are:

Austria	Bundesministerium für Land- und Forstwirtschaft, Regionen und Wasserwirtschaft (Federal Ministry for Agriculture, Forestry, Regions, Forestry and Water Management), Vienna
Finland	Työ- ja elinkeinoministeriö (Ministry of Economic Affairs and Employment), Helsinki
Germany	Bundesministerium für Wirtschaft und Klimaschutz (Federal Ministry for Economic Affairs and Climate Action), Berlin Die Senatorin für Wirtschaft, Arbeit und Europa, der Freien Hansestadt Bremen (the Senator for Economic Affairs, Employment & Europe, Free Hanseatic City of Bremen)
Italy	Agenzia per la Coesione Territoriale (Agency for Territorial Cohesion), Rome
Netherlands	Ministerie van Economische Zaken en Klimaat (Ministry of Economic Affairs and Climate Policy), The Hague
Norway	Kommunal- og distriktsdepartementet (Ministry of Local Government and Regional Development), Oslo
Poland	Ministerstwo Funduszy i Polityki Regionalnej (Ministry of Development Funds and Regional Policy), Warsaw
Portugal	Agência para o Desenvolvimento e Coesão (Agency for Development and Cohesion), Lisbon
Sweden	Näringsdepartementet (Ministry of Enterprise and Innovation), Stockholm
Switzerland	Staatssekretariat für Wirtschaft (SECO, State Secretariat for Economic Affairs), Bern
United Kingdom	Department for Levelling-Up, Housing and Communities, London Scottish Government, Glasgow

The EoRPA research programme is directed by Professors John Bachtler, Dr Carlos Mendez and Ruth Downes. The European Policies Research Centre gratefully acknowledges the financial support provided by the members of the EoRPA Consortium.

European Policies Research Centre
School of Government and Public Policy
University of Strathclyde
40 George Street
Glasgow G1 1QE
T +44(0) 141 548 4898
T +44(0) 141 548 3061
E eprc@strath.ac.uk
W https://eprc-strath.org/

Stichting EPRC Delft
Faculty of Architecture and the Built Environment,
Technische Universiteit Delft
Julianalaan 134
2628 Delft
T +31 (0) 15 27 86093
E info@eprcdelft.eu
W http://www.eprc-strath.eu/