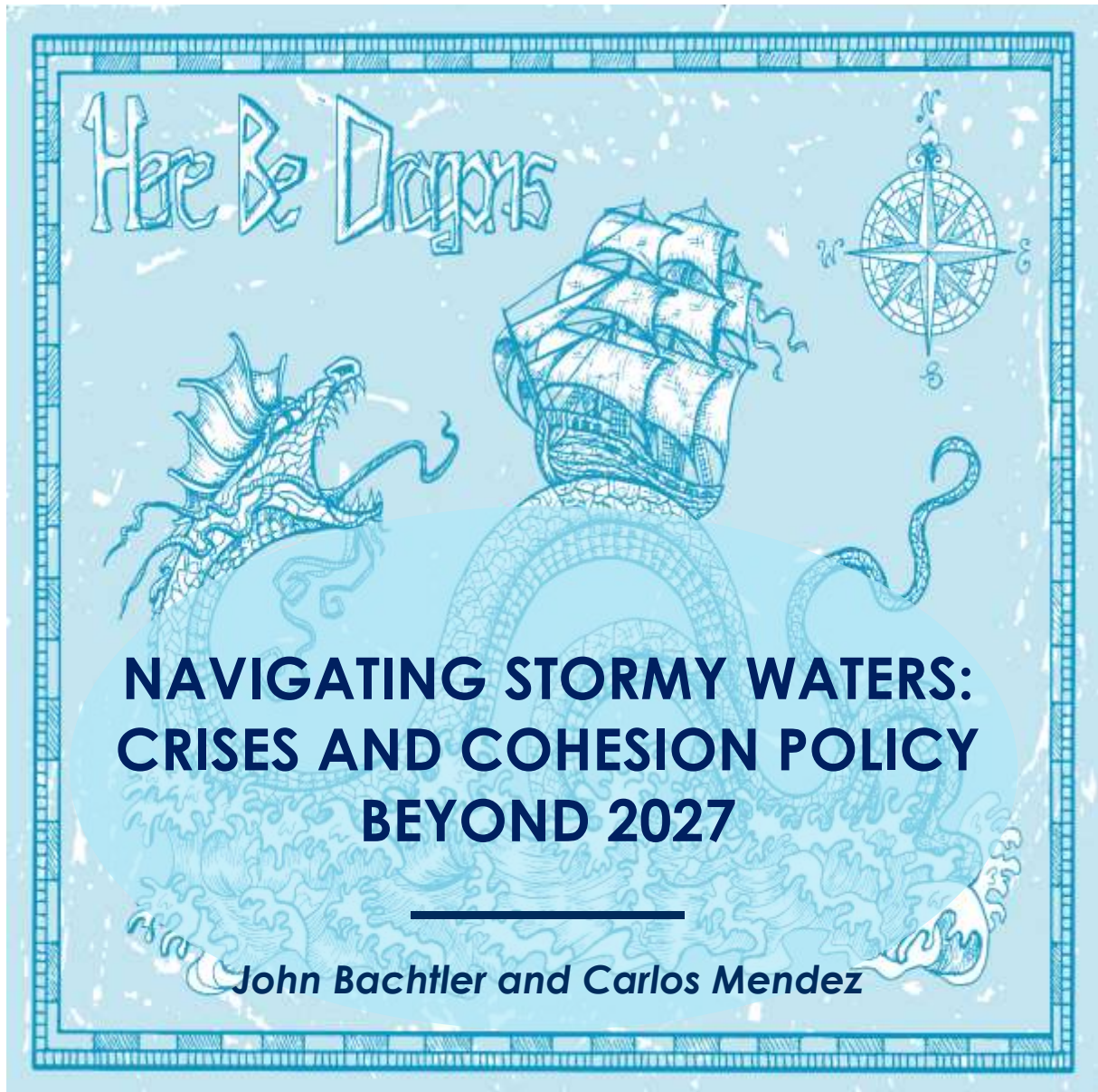




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## EXECUTIVE SUMMARY

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EU Cohesion Policy is navigating stormy waters. Policymakers face challenging tasks of closing past programmes, implementing new ones and charting a course with an uncertain outlook. The 2021-27 programmes, which faced approval delays, are under pressure to spend rapidly. Closing 2014-20 programmes and managing Recovery and Resilience Facility funding at the same time has stretched capacity.

Thematic concentration was generally straightforward but balancing green, digital, and basic infrastructure investment needs is difficult for some countries. Only four Member States had recorded any EU payments for 2021-27 by end October 2023, apart from advance payments. The delays in launch and spending cast doubt on the ability to meet 2024 targets.

The Territorial Just Transition Plans had programming challenges and pressure to spend but are seen as effective instruments. Funding for territorial instruments has expanded with varied ambitions, whereas the use of financial instruments has declined in some countries.

The performance frameworks have pushed the use of common indicators, yet there are reservations about targets, data reliability, the clarity of guidelines and the implications of implementation delays. The

compliance with enabling conditions took longer than anticipated and was administratively onerous.

The debate on the EU's post-2027 budget and Cohesion Policy has intensified amid challenges of the Ukraine war, net zero commitments and budgetary strains, with Member States hesitant to commit more resources for EU spending.

The Mid-Term Revision (MTR) of the budget underscores the energy crisis, migration costs and introduces the Strategic Technologies for Europe Platform to foster innovation using Cohesion Policy funding.

The MTR looks to be prioritising new policies over cohesion. As it aligns with EU economic governance, Cohesion Policy risks being overshadowed in terms of unacknowledged territorial disparities and place-based solutions at EU level.

Debates on regional funding eligibility, development traps, green transition challenges, and EU enlargement further intensify the debate on the resourcing and distribution of cohesion funding.

Many contributions to the debate on future Cohesion Policy urge radical reform. The question is whether there is a strong enough constituency to articulate the case for a powerful Cohesion Policy.



## 1 INTRODUCTION

The launch of the new round of Cohesion Policy programmes for 2021-27 has paved the way for the intensification of the debate on the future of the EU budget and Cohesion Policy post-2027. The EU faces a challenging budgetary context as it seeks to fund the critical commitments of achieving net zero and addressing crises notably the fallout of the ongoing war in Ukraine. These financial strains are compounded by Member States' reluctance to commit additional resources, coupled with increasing dependence on off-budget mechanisms, leading to a convoluted financial structure for EU spending and management.

The Mid-Term Revision (MTR) of the Multiannual Financial Framework was initiated in 2023 in response to these challenges. It shines a light on the EU's budgetary concerns, spanning the energy crisis, military support, mobilisation of humanitarian aid, and the rising costs of migration and asylum policies. The MTR introduces proposals with immediate implications for Cohesion Policy, such as the establishment of the Strategic Technologies for Europe Platform (STEP), to enhance projects in clean-tech, bio-tech, and digitalization using pre-existing EU instruments including Cohesion Policy funds.

The MTR's approach to cohesion is double-edged. On the one hand, it notes the importance of Cohesion Policy for the green and digital transitions. On the other hand, the Commission's budgetary performance scoreboard highlighted disappointing commitment and payment rates at the close of 2022, endangering the EU's green transition objectives. The proposed STEP regulation aspires to address this by prioritising the platform across all cohesion funds. More generally, the concept of cohesion appears side-lined, absent from recent speeches by the Commission President, indicating a preference for newer policies over foundational ones like Cohesion Policy.

This evolving perspective on cohesion is mirrored in its integration into EU economic governance. Over the past decade, Cohesion Policy became more aligned with the Europe 2020 strategy and the European Semester. The objective was synchronisation with broader EU macro- and microeconomic policies, but the potential of this alignment has not been fully realised, partly due to a lack of acknowledgement of territorial disparities. Recent reforms indicate a deeper appreciation of cohesion issues within the European Semester. Yet, new proposals in 2023 for a revamp of the EU's economic governance rules may further marginalise territorial cohesion.

Eligibility for regional funding is a central point of contention in reform discussions. The latest GDP data suggests that most countries would maintain similar regional eligibility status, but the Cohesion Report and recent high-level group debates suggest that some shifts may be on the horizon towards middle-income regions experiencing stagnation or declining economic growth. The transition to a greener economy adds another challenge. Regions differ in their



vulnerability to green transition implications, which will undeniably shape regional eligibility debates.

Lastly, the potential next EU enlargement poses fresh challenges. As the Commission emphasises a roadmap for enlargement, significant proposals are expected on enlargement to Candidate Countries with institutional reform becoming imperative - voting dynamics, political representation, and associated costs are all in play. An envisioned enlargement by 2030 would require that the MFF incorporates interim provisions including integration into Cohesion Policy. This could lead to most regions from the accession countries being categorised as Less Developed Regions, imposing substantial pressures on the EU budget and/or current beneficiaries.

This paper examines the current state-of-play of Cohesion Policy and its future reform beyond 2028. The paper continues the series of annual EoRPA papers on Cohesion Policy now stretching back to 1990.<sup>1</sup> Research for this paper was undertaken during 2023 based on fieldwork interviews with government officials and secondary source research on the policy and academic literatures. The paper begins with an overview of the negotiation process and outcome of the 2021-2027 PAs and programmes including the central challenges and issues. It then reviews the key political and policy developments for the post-2027 Cohesion Policy. The final section reflects on the key challenges facing Cohesion Policy in the future.

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<sup>1</sup> Recent EoRPA annual reports on Cohesion Policy are available via the [EPRC website](#).



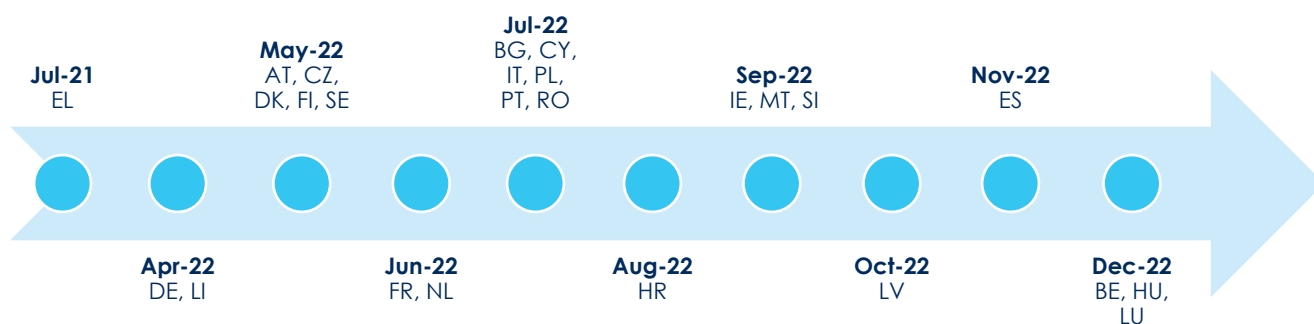
## 2 COHESION POLICY PROGRAMMING FOR 2021-27

The finalisation and adoption of Partnership Agreements and Operational Programmes for 2021-27 was largely completed by the end of 2022. The programming process encountered numerous delays and challenges, influenced by factors ranging from legislative complexities to the global crisis as well as the prioritisation of National Recovery and Resilience Plans (NRRPs) for the Recovery and Resilience Facility (RRF). However, the adoption of programmes has set the stage for the next phase of EU Cohesion Policy. This section reviews the key developments and issues encountered across EU Member States.

### 2.1 Adoption of Partnership Agreements and Programmes

The programming and adoption of the 2021-27 Partnership Agreements and programmes was largely completed during 2022, albeit with considerable delays relative to previous periods (see Figure 1). The first PA, approved for Greece in July 2021, was followed by the approval of most PAs between May and July 2022. The last PAs (for Belgium, Hungary and Luxembourg) were adopted in December 2022.

**Figure 1: Timeline of the approval of Partnership Agreements**



Source: European Commission website ['Partnership Agreements on EU funds 2021-2027'](#) (accessed 20.9.23)

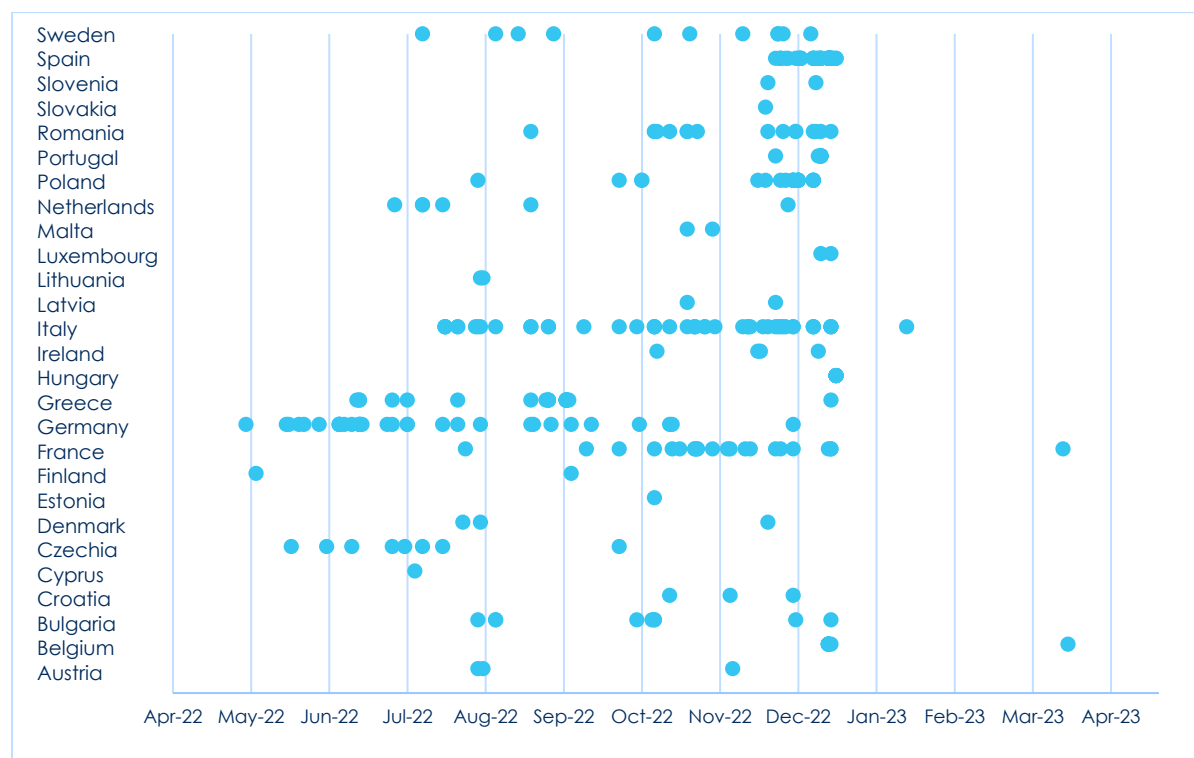
With respect to the Operational Programmes, around half were adopted by mid-September 2022 and the rest by the end of 2022, with a small number in 2023 (Figure 2).







**Figure 2: Timeline of the approval of 2021-27 Operational Programmes (ERDF, CF, ESF+, JTF)**



Note: Excludes ETC

Source: EPRC using [Cohesion Open Data](#)

The delays in programming can be attributed to a combination of factors that impacted all countries.

- **Extended negotiations and approval periods.** Negotiations on the EU budget and legislative framework took an unprecedented 36 months, compared to 24-26 months in the previous two programming phases.
- **Priority shifts.** The urgent need to programme the RRF and the 2021-22 REACT-EU allocations due to the shorter-time frame for implementation, as well as other emergency responses to the pandemic and energy crisis.
- **New instruments.** The introduction of new instruments like the JTF posed specific negotiation and programme challenges.

These factors, combined with a constrained negotiation window and an ambitious implementation timetable, have caused **significant strain on the preparation of the new programmes**. While some countries found the negotiation process to be relatively straightforward, many others faced unexpected delays and complications for future implementation. Programming requirements and extensive comments from the Commission have been cited as contributing factors in some instances, alongside political and administrative changes, complex procedures, and stakeholder consultations.





- **Administrative Complexities.** Technical limitations, stakeholder consultations, and difficulties in aligning with EU regulations have hampered timely OP approvals (e.g. Croatia and Hungary). Hungary had the additional challenge linked to compliance with the rule of law conditionality.
- **Role of the Commission.** The Commission's approach has been criticised for micro-management and protracted inter-service consultations, contributing to delays in some countries.
- **Political factors.** Political transitions in Slovenia, including a legislative referendum, have had a significant impact on the timing of OP approvals. In Denmark, a general election impacted on the timing of programming.
- **Implementation challenges.** Bulgaria, like many other Member States, expects difficulties with fund absorption due to late approvals, particularly for infrastructure projects. Croatia faces delays tied to complex administrative procedures and limited national technical capacities.

The negotiation experience of Member States reveals a range of insights and challenges relating to the process as the following examples illustrate.

- **Financial aspects.** Belgium faced internal complexities as its federal structure led to challenges in reaching consensus on financial allocations across regions. In Hungary, discussions with the EU were concentrated on how financial instruments should be weighted and how to reallocate funds between the ERDF and ESF. By contrast, Austria felt that Commission requests to include financial instruments were unjustified and resisted.
- **Regulatory and policy alignment.** Croatia attributed delays to a need for stringent adherence with EU regulations. In the Netherlands, negotiations were targeted on climate priorities and *ex-ante* conditionalities. Ireland found the volume of Commission observations excessive, leading to cumbersome documents, a view echoed by Finland. Poland leveraged its past experience to facilitate effective negotiations that led to only minor changes. Czechia welcomed the flexibility available to initiate amendments to programmes soon after their adoption.
- **Thematic and sectoral focus.** Portugal found the negotiations complicated by various Directorates-General in the Commission pushing their specific policy agendas. Some discussions became bogged down in issues with limited universal relevance, leading to a degree of mistrust. Slovakia notes that the Commission specifically pushed for greater support and better implementation for Roma marginalized communities, among other areas of focus. Sweden found it challenging to navigate the different requirements set by various DGs, specifically concerning climate issues influenced by DG CLIMA. Germany found the negotiations around multi-fund programmes like the Just Transition Fund to be the most challenging.
- **Regional programming and delivery.** Romania introduced regional programmes for the first time, requiring an extended period for negotiations. In Slovakia, specific measures to increase capacity of regional authorities were highlighted by the Commission services, along with better coordination and implementation.



## 2.2 The Just Transition Fund

The programming of the Just Transition Fund proved to be a complex task for many countries, marked by a series of challenges.

- **Building consensus.** Bulgaria faced internal political disagreements, especially on the topic of coal mine closures, and is the only country without an approved Territorial Just Transition Plan (Figure 3). Romania's delay in JTF programming was due to the need for extensive local consultations. Croatia and Slovenia faced challenges in engaging various stakeholders, from local authorities to businesses and civil society. Slovenia specifically had internal disputes over the closure timelines of coal-dependent industries.
- **Extending territorial eligibility.** Several countries highlight the successful negotiation of the inclusion of additional territories to those proposed by the Commission. These include Greece's inclusion of oil-dependent islands, Latvia's extension to the entire country except for the capital, and Poland's inclusion of two additional areas. However, not all attempts to extend coverage were successful e.g. proposals by Portugal and Slovakia for additional areas were not approved by the Commission.
- **Negotiating scope.** In France, the exclusion of specific sectors like nuclear and fossil fuels created difficulties. The Netherlands found the JTF more difficult to negotiate than the ERDF, both in terms of the eligibility of areas and of large companies, as well as requiring negotiations at the project level.
- **Institutional and administrative capacity constraints.** Some countries sought technical expertise from the Technical Support Instrument (TSI) on programming (e.g. Cyprus, Slovakia). Slovakia established a new structure for the implementation of the JTF with limited EU funding experience and capacity.
- **Tight deadline for implementation.** Several countries, including Czechia, Germany and Poland, anticipate challenges in timely implementation due to the requirement to commit the majority of funds within the first three years of the 2021-27 cycle and the late approval of programmes. This compressed timeframe places substantial pressure on the process of project identification and approval. In response, some countries have requested a political agreement at EU level on extending the eligibility period.

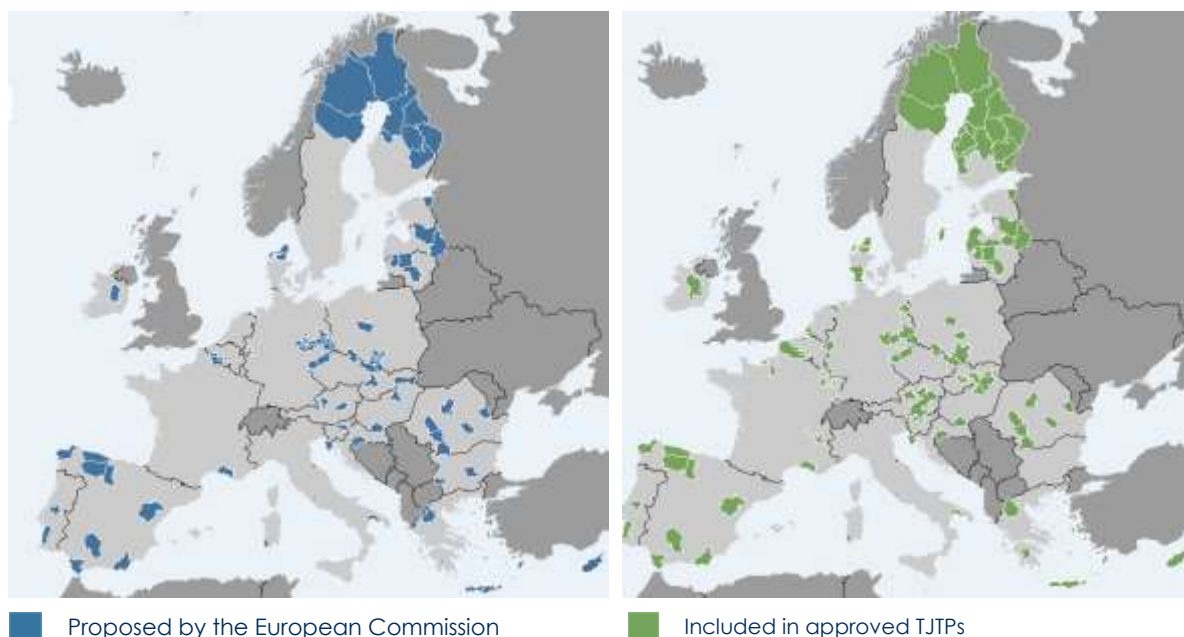
While the process presented difficulties, **the Commission underscores the JTF's beneficial influence.** It has prompted several Member States to establish a plan for transitioning away from coal for the first time (Czechia, Croatia, Poland, Romania and Slovenia) and accelerated phase-out timelines for coal, peat and oil-shale in some other countries.<sup>2</sup> Financially, the Fund has allocated €5 billion for SMEs and startups, €3.2 billion for workforce training, and €3 billion for clean energy. It aims to assist nearly 39,000 enterprises, over 120,000 unemployed people, and help almost 200,000 individuals gain new skills.

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<sup>2</sup> European Commission (2023) [Cohesion 2021-2027: Forging an ever stronger union](#), Report on the outcome of 2021-2027 cohesion policy programming, Commission Staff Working Document, SWD(2023) 134 final. 28.4.23, Brussels.



**Figure 3: Just Transition Fund territories, 2021-27**



Source: Cohesion Open Data, #EURegion Data Stories, [JTF-Leaving no region behind in the climate transition](#)

## 2.3 Thematic concentration

The experience of thematic concentration varied across countries, ranging from those for which it involved a reasonably straightforward alignment to those for which it was more problematic.

- **Seamless alignment.** Some countries have not reported significant challenges in addressing thematic concentration requirements (e.g. Denmark, Germany, Hungary, Luxembourg), attributed to their existing policy alignment and spending capacity.
- **Overcoming obstacles.** Slovakia has encountered challenges in complying with thematic concentration requirements, and the Netherlands faced negotiation bottlenecks in this area. Sweden had initial challenges in meeting PO2 thresholds that needed to be resolved. A need for greater flexibility in setting policy objectives has been noted (e.g. Estonia), and in federal countries requiring the achievement of consensus at subnational level (Austria).
- **Balancing priorities.** Romania and Slovenia highlight the challenges of prioritising green and digital growth when there is demand for more basic infrastructure or traditional interventions. Romania, for instance, is keen to prioritise green and digital projects but there are questions about local authority capacities to implement these projects. Similarly, in Czechia, high demand in POs 3-5 exceed the allocated funds, which had been set low due to the mandatory concentration on PO1 and PO2.
- **Climate focus.** In Portugal, there is a recognised need for a change in mindset among stakeholders, driven not just by regulatory requirements but also factors like rising energy prices. Italy plans a close collaboration between environmental authorities and Managing Authorities to align with sustainability objectives and comply with regulatory requirements.



## 2.4 Territorial and financial instruments

A number of countries are either developing their existing frameworks for territorial and financial instruments or are opting for simplification and/or innovation.

**The programming of territorial instruments reveals continuity and change** with some countries developing new approaches, others evolving within established frameworks, and a third group maintaining the status quo.

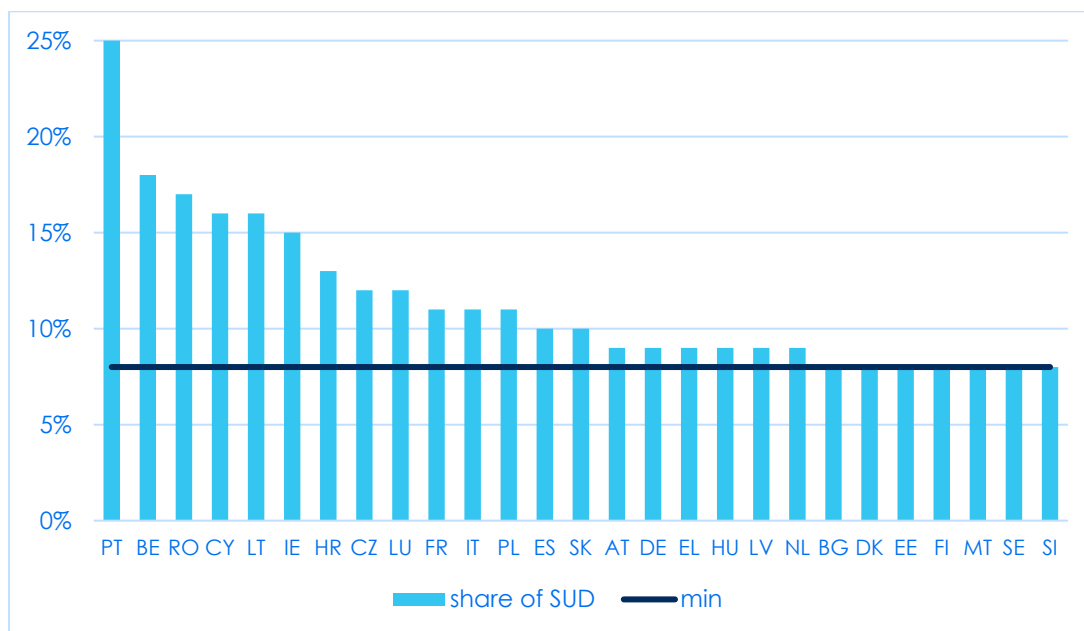
- **Innovation and expansion.** Bulgaria, Croatia and Cyprus are introducing new territorial instruments or expanding existing ones. Croatia is significantly extending the scope of ITIs for functional urban areas -- from eight areas in 2014-2020 to 22 in 2021-2027. Poland has expanded Integrated Territorial Instruments (ITI) from voivodeship centres to all types of urban areas. In Cyprus, the six Integrated Territorial Development Strategies are, for the first time, the result of integrated cooperation of local authorities from wider urban areas. In Portugal, SUD will now be managed through ITIs, covering various urban categories instead of municipalities, with expanded thematic scope (decarbonisation, digitalisation and competitiveness). In Sweden, there is a new national call approach for SUD.
- **Evolution within established frameworks.** Austria, Belgium, Poland, and Portugal are largely maintaining their existing structures and approaches, but with some modifications. Austria is maintaining Community-Led Local Development (CLLD) in Tyrol, SUD (Priority Axis-based) in Upper Austria and Vienna but adding measures in Carinthia and Styria. Belgium is continuing its previous approach, the main difference being that the cities of Gent and Antwerpen are now using the ITI model (rather than a separate priority). Spain is promoting greater collaboration among municipalities and a stronger role for provincial councils. Greece is discontinuing the multi-fund combinations under CLLD (EAFRD-EMFF-ESF).
- **Maintenance of status quo.** Denmark, Estonia, Ireland, and Slovenia plan limited or no significant changes to their territorial instruments.

Financial allocations to **Sustainable Urban Development (SUD)** represent 12 percent of the national ERDF allocations (see Figure 4). This exceeds the minimum required eight percent in most countries, with particularly high shares in Portugal, Belgium, Romania, Cyprus, Lithuania and Ireland. Portugal stands out for allocating the highest share. It also faced challenging negotiations surrounding its 'Pacts for Territorial Development and Cohesion' at NUTS 3 level. The compromise reached allows the Inter-Municipal Communities to contribute to the SUD thematic concentration based on the proportion of the urban population, serving as a proxy indicator for defining urban areas.





**Figure 4: Share of ERDF allocated to Sustainable Urban Development (SUD) 2021-27**



Source: [Cohesion open data](#)

**The approach to financial instruments in 2021-27 presents a varied picture.** European Commission data indicate a modest reduction in the share of funds allocated to financial instruments (FIs) in 2021-27 compared to the previous period (see Figure 5). This contraction is partly explained by a prior surge in the use of FIs during the 2014-20 cycle as part of the COVID-response, and also due to the availability of alternative funding options. A comparison of allocations to FIs in 2021-27 with 2014-20 before the COVID-response shows a slight increase in funding to FIs overall in the new period, but with marked variations across countries, as follows:

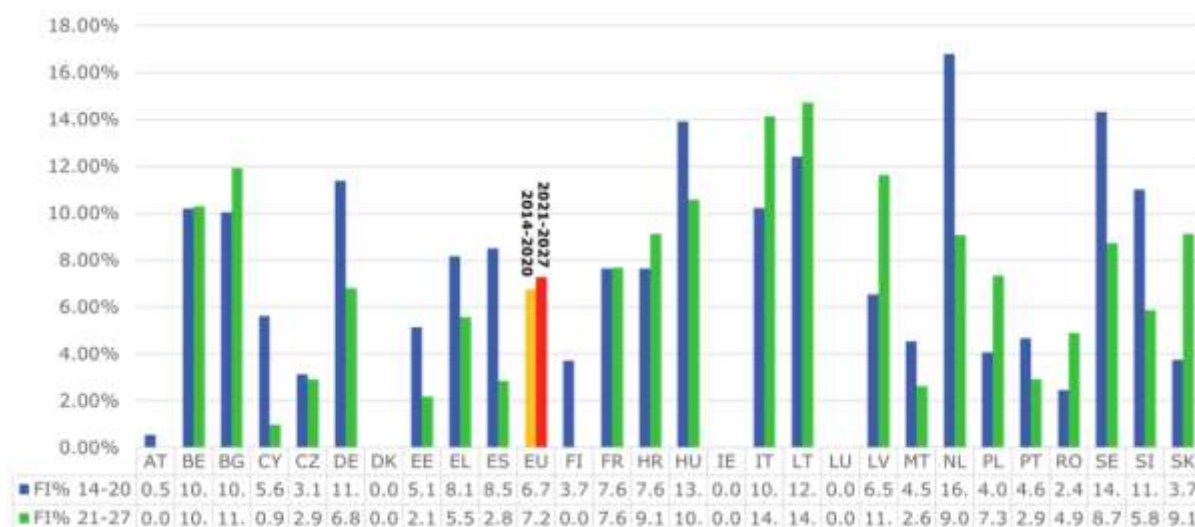
Change in allocations to FIs	Member States
Significant reduction	CY, DE, EE, EL, ES, HU, NL, PT, SE, SI
Significant increase	BG, FR, HR, IT, LT, LV, PL, RO, SK
Stable allocation	BE, CZ, FR
No allocation	AT, DK, FI, IE, LU

In terms of **strategic direction**, some countries (Belgium, Bulgaria, Finland and Portugal) have continued with their previous approaches to financial instruments. Denmark, Ireland and Luxembourg are continuing to opt for domestic sources of funding to support FIs, sidestepping the use of financial instruments in Cohesion Policy. These countries are now joined by Austria and Finland, which no longer use FIs in Cohesion Policy. By contrast, Croatia and Romania have introduced new financial instruments catering to their specific economic contexts and priorities, while Hungary is expanding the use of financial instruments across various programmes rather than limiting them to a single programme as in 2014-20.





Figure 5: Share of ERDF/CF allocated to financial instruments in 2014-20 and 2021-27



Source: Cohesion Open Data, #EURegion Data Stories, [Cohesion Policy support through financial instruments](#)

## 2.5 Performance frameworks

There is generally a positive view among Member State authorities on the **approach to common indicators** in enhancing the uniformity and coherence of reporting. Slovakia has revamped its monitoring approach to focus primarily on common EU indicators, supplemented by specific national indicators. However, the introduction of new indicators into programmes has involved contentious negotiations with the Commission for some countries. For instance, some German *Länder* expressed concern that fulfilling the Commission's expectations for absolute numerical values may be unrealistic.

**The setting of target values** for result indicators poses a common challenge. Czechia, for example, emphasises the role of external factors that can influence these indicators, while the Netherlands highlights the difficulties in quantifying metrics for innovation interventions. Data availability and reliability remain a challenge, most notably at regional and local levels (e.g. Croatia, Romania).

As for **monitoring outcomes**, Denmark welcomes the focus on the direct effects of projects rather than long-term impacts. Denmark has singled out environmental or 'green' outcomes as particularly challenging to manage but notes that progress has been made through the use of a 'climate compass' to standardise indicators and by requiring before and after reporting on emissions to gauge the relative impact of projects.

In **operational and procedural terms**, countries are adopting various strategies. Ireland, for instance, is fine-tuning its reporting system to be more manageable, particularly given that the



previous requirements for documentation were deemed disproportionate for the levels of funding involved. Poland is relying on its past experience with mid-term reviews to shape its current project selection criteria and performance frameworks.

Looking forward, some countries have expressed concerns about the **absence of clear guidance from the European Commission on the implications of programming delays for performance**. This uncertainty is leading to apprehension regarding performance timeframes, particularly given the delays in implementation. These concerns are especially pertinent to mid-term evaluations, where it may be too premature to assess results, and to the European Semester preparations.

## 2.6 Enabling conditions

**Experience with enabling conditions** is varied based on a range of factors including administrative efficiency, the complexity of regulatory environments, and the challenges associated with specific conditions. Some countries found the process straightforward, while others encountered difficulties in specific sectors or at a more systemic level.

**The fulfilment and approval of conditions was reported to be straightforward** in some countries such as Austria, Finland, and Germany, with Austria noting an improvement in the process and speed compared to previous cycles. Ireland managed to fulfil all conditions, but acknowledged the process was challenging. Similarly, the Netherlands described the process as cumbersome, due to the additional time required to approve the programmes and having to align regionally focused programmes with national laws.

**Challenges related to thematic conditions** were evident as one third of the conditions had not been adopted at programme approval.<sup>3</sup> Belgium faced challenges with thematic conditions imposed by the Commission at a late stage in the negotiations related to smart specialisation, energy efficiency and renewable energy. Greece and Portugal have some unmet thematic conditions (e.g. updated plans in water, wastewater and waste, and a health strategy in the Greek case). Estonia and Sweden faced similar issues. In the case of Sweden, a regional programme had to provide additional detail on the smart specialisation approach. The delay then impeded the approval of the national OP, as all regional programmes had to meet the condition before the national programme could be approved.

As for **horizontal conditions**, several countries experienced difficulties. Data availability and administrative capacity has been an issue in Bulgaria, Croatia and Czechia, all reporting long negotiations and increased administrative pressure. Romania has seen improved administrative capacity over time but also notes bottlenecks in public procurement and complex project management. Latvia had to revise and resubmit their programme due to

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<sup>3</sup> *Ibid.*





issues with their performance framework condition to ensure adequate monitoring, reporting on and evaluating performance during implementation. Compliance with the Charter of Fundamental Rights condition required more intensive discussions in Hungary, Poland and, to a more limited extent, in Austria.





## 3 THE RECOVERY AND RESILIENCE FACILITY AND COHESION POLICY

### 3.1 Implementing the RRF

The creation of the RRF was an important commitment by the EU to economic recovery from the Covid pandemic and investment in the green and digital transition. Its financial resources of €723.8 billion through both loans (€385.8 billion) and grants (€338 billion)<sup>4</sup> have the potential to provide a substantial boost to investment and long-term growth. This applies particularly to the largest beneficiaries – Italy and Spain in volume of funding, and Greece, Romania and Croatia as a percentage of GDP. The combination of financial incentives with reforms is giving the European Semester framework ‘teeth’ and national ownership although, as some have noted, this also risks ‘intrusion’ into national political discourse, especially for reforms that are contested – and may even risk a backlash against the EU.<sup>5</sup>

A distinctive feature of the RRF is its management by the Commission together with national governments and an important role for the Council in determining compliance – a model termed “coordinative Europeanisation”<sup>6</sup> or “governance by funding”<sup>7</sup>. There is, though, a limited role for the European Parliament apart from in monitoring, a regular ‘recovery and resilience dialogue’, and more generally through the budget discharge procedure.<sup>8</sup>

By comparison with other policy interventions, the simplified planning and decision-making process (rapid inter-services consultation, tight deadlines for Member State submission, Commission endorsement, Council approval) allowed the quick launch of National Recovery & Resilience Plans (see Figure 6) – albeit causing some downstream problems (see below). A new administrative infrastructure has been created, with coordination by the RECOVER Task Force in the Secretary-General, working with DG ECFIN, DG REFORM (where requested by Member States) and other Commission services.

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<sup>4</sup> European Commission website [‘The Recovery and Resilience Facility’](#) (accessed 20.9.23).

<sup>5</sup> Vanhercke, B and Verdun, A (2022) [The European Semester as Goldilocks: Macro economic policy coordination and the Recovery and Resilience Facility](#), *JCMS: Journal of Common Market Studies*, Vol 60:1, pp204-223. Zeitlin J, Bokhorst D and Eihmanis E (2023) [Governing the RRF: Drafting, Implementing and Monitoring National Recovery and Resilience Plans as an Interactive Multilevel Process](#), FEPS Recovery Watch, Foundation for European Progressive Studies, June 2023.

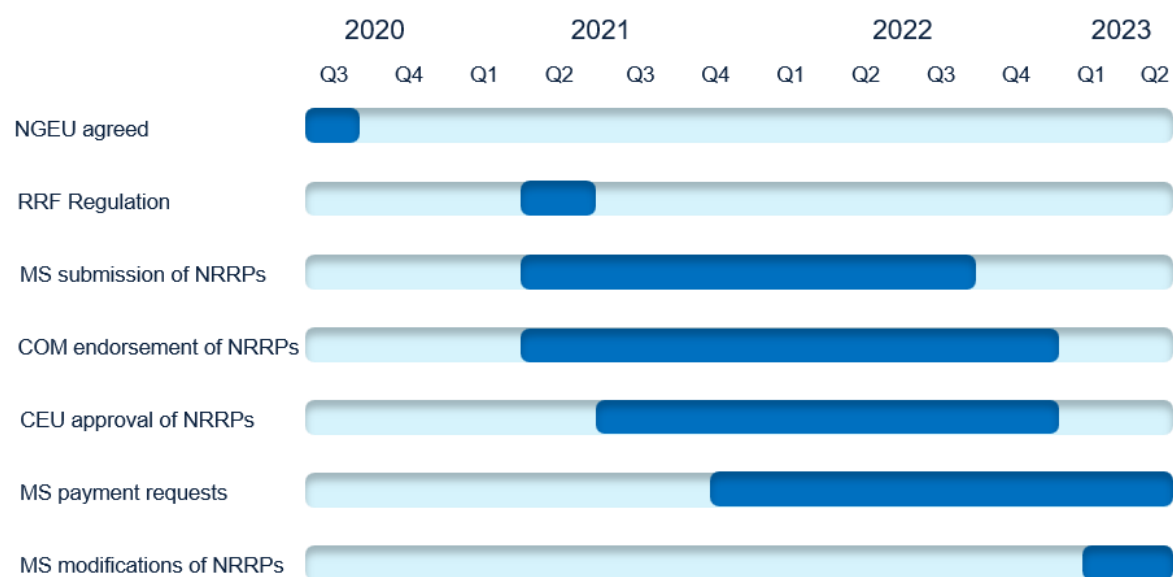
<sup>6</sup> Ladi S and Wolff S (2021) [The EU Institutional Architecture in the Covid-19 Response: Coordinative Europeanization in Times of Permanent Emergency](#). *JCMS: Journal of Common Market Studies*. 59(Suppl 1):32-43.

<sup>7</sup> Patrín M (2023) [Governance by Funding: NGEU, Solidarity and the EU Institutional Balance](#) (REBUILD Centre Working Paper No. 4).

<sup>8</sup> European Parliament website, [Recovery and Resilience Facility](#) (accessed 20.9.23)



**Figure 6: Timetable of launch and implementation of NRRPs**



Source: [RRF Scoreboard](#) (accessed 10.9.23)

The scale of funding of NextGenerationEU, its innovative financing and the high public profile has generated significant public awareness. According to a Eurobarometer survey in early 2023:<sup>9</sup>

*“Across the EU, about half of respondents (51%) report being aware of a Recovery Plan for their country to support economic recovery from the COVID-19 pandemic. One third of respondents (33%) have seen, heard or read something about NextGenerationEU. Almost three-quarters of respondents (74%) think that the principle of solidarity is a good approach for the EU and seven in ten reply that this is a good approach for their country”.*

The RRF is viewed as having a ‘positive impact’ nationally in every Member State. Interestingly, it is viewed particularly positively in several of the countries which Eurobarometer records as having high levels of negative opinion about the EU – Greece and Cyprus – and to a lesser extent also in Austria, Czechia, Slovakia, France and Belgium.<sup>10</sup>

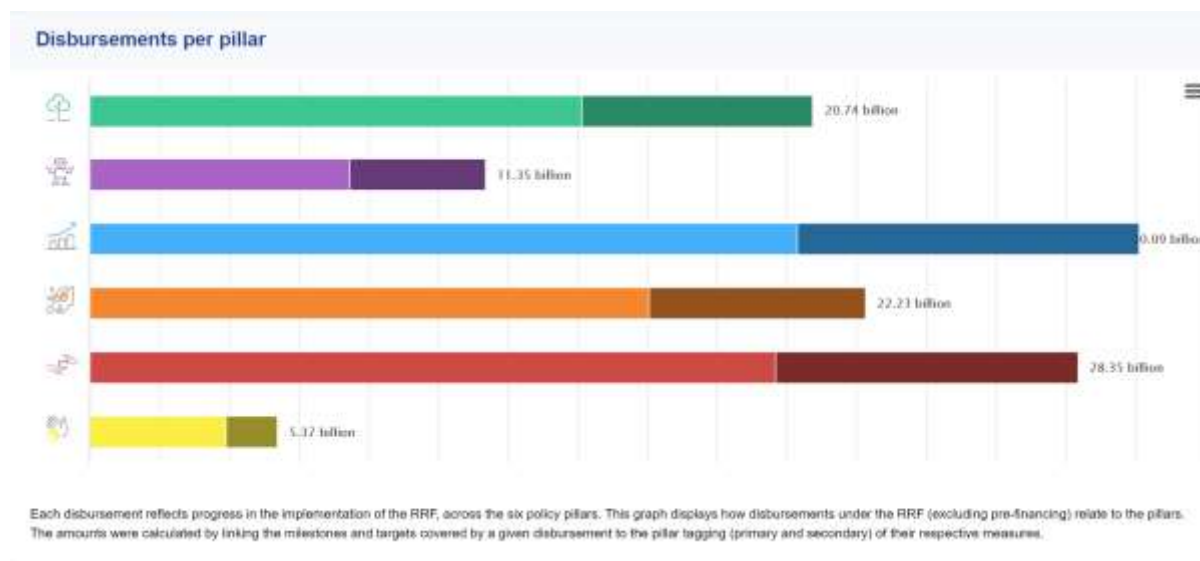
<sup>9</sup> European Commission (2023b) [EU Recovery Plan ‘NextGenerationEU’](#), Flash Eurobarometer 515, Report, European Commission, Publication Office of the European Communities.

<sup>10</sup> European Commission (2023c) [Public opinion in the European Union](#), Standard Eurobarometer 98, Winter 2022-23, European Commission, Publication Office of the European Communities.





Figure 7: Disbursements from the Recovery & Resilience Facility



Note: the above pillars are: green transition; digital transformation; smart, sustainable & inclusive growth; social & territorial cohesion; health, and economic, social and institutional resilience; and policies for the next generation.

Source: [RRF Scoreboard](#) (accessed 16.10.23)

The current state-of-play with disbursement according to the RRF Scoreboard is that €118.14 billion in grants and €56.55 billion in loans have been disbursed by mid-October 2023<sup>11</sup> (see Figure 7). The disbursements are spread mainly across four pillars of smart, sustainable and inclusive growth, health and resilience, social and territorial cohesion, and green transition, with lower levels for the two pillars of digital transformation and next generation policies. With respect to milestones and targets, 13 percent are recorded as being fulfilled.<sup>12</sup>

### 3.2 Evidence on RRF implementation

There is now extensive research on the implementation of the RRF and NRRPs, covering effectiveness, implementation efficiency, coherence and accountability.

- **Effectiveness.** The main concern is the quality of the plans given the speed with which they were drafted and assessed. Several commentators have noted the variable rationales for investment and reforms by Member States, as well as a lack of clarity on the additionality of funding and safeguards against potential politicisation of the spending.<sup>13</sup> There is a perceived risk that spending is not cost-effective with insufficient

<sup>11</sup> [RRF Scoreboard](#) (accessed 16.10.23).

<sup>12</sup> *Ibid.*

<sup>13</sup> Mongay C M, Gadea Rivas M D, Barrado B and Azón V (2022) [The added value of the Recovery and Resilience Facility](#), Report to the European Parliament (ECON Committee), Brussels. Vanhercke & Verdun



attention to results and value for money.<sup>14</sup> Researchers have found considerable variation in the Commission's assessments of cost justification across countries, which raise valid questions on whether funding is being allocated well.<sup>15</sup> The ECA concluded that, while the Commission's assessments were "overall appropriate", assessors had not used them "systematically or uniformly".<sup>16</sup> Most recently, a new ECA report<sup>17</sup> has expressed concern about weaknesses in the monitoring of RRF spending which makes it "insufficient" for performance measurement:<sup>18</sup>

*"Although the existing system helps to track member states' progress towards the reforms and investments they agreed upfront in exchange for funding, it fails to provide a full picture of how the funded projects contribute to the RRF's objectives, such as making the European economy greener and more resilient".*

Other questions concern the scope of reforms. A report for the European Parliament asked whether "their ambition will be sufficient to effectively solve entrenched problems, especially those related to the labour market and public finances."<sup>19</sup>

- **Implementation efficiency.** The major issue for the EU is whether Member States have the capacity to absorb the allocated funds and deliver reforms within a tight timeframe.<sup>20</sup> This applies especially to administrative bodies which are involved in implementing Cohesion Policy programmes with different management systems.<sup>21</sup> A

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(2022) *op. cit.*; Schramm *et al* (2022) *op. cit.* Tamma, P (2023) [Belgium's knotty politics gives EU's recovery fund its trickiest test yet](#), *Politico*, 25 January 2023

<sup>14</sup> Alcidi C, Gros D and Corti F (2020) [Who Will Really Benefit from the Next Generation EU Funds?](#) Centre for European Policy Studies, Brussels. Van der Veer, R. (2022) '[Walking the Tightrope: Politicisation and the Commission's enforcement of the SGP](#)'. *Journal of Common Market Studies*, Vol. 60, No. 1, pp. 81–100.

<sup>15</sup> Darvas Z and Welslau L (2023) [First lessons from the Recovery and Resilience Facility for the EU economic governance framework](#), Report to the European Parliament (ECON Committee), Brussels. Darvas Z (2022) [Five lessons from the Recovery and Resilience Facility for future crisis response instruments](#), in *ECA Journal* no.2/2022 *The EU Recovery and Resilience Facility: a jump to a resilient Europe?*, pp130-135

<sup>16</sup> ECA (2022) [The Commission's assessment of national recovery and resilience plans: Overall appropriate but implementation risks remain](#), Special Report 21/2022, European Court of Auditors, Luxembourg.

<sup>17</sup> ECA (2023) [The Recovery and Resilience Facility's performance monitoring framework – Measuring implementation progress but not sufficient to capture performance](#), Special Report 26/2023, European Court of Auditors, Luxembourg.

<sup>18</sup> ECA (2023) [EU recovery fund's overall performance cannot be adequately measured](#), Press release, 24/10/2023, European Court of Auditors, Luxembourg.

<sup>19</sup> Mongay *et al* (2022) *op. cit.*

<sup>20</sup> Corti F, Ferrer J, Ruiz de la Ossa T and Liscai, A (2022) [Comparing and Assessing Recovery and Resilience Plans](#), *Recovery and Resilience Reflection Papers No. 7*, Centre for European Policy Studies. Barbero J, Conte A, Crucitti F, Lazarou N-J, Sakkas S and Salotti S (2022) [The impact of the recovery fund on EU regions: a spatial general equilibrium analysis](#), *Regional Studies* DOI: 10.1080/00343404.2022.2123467

<sup>21</sup> Corti F and Ferrer J (2022) [Steering and Monitoring the Recovery and Resilience Plans: Reading between the lines](#), *Recovery and Resilience Reflection Papers No. 2*, Centre for European Policy Studies.





significant concern is the lack of a robust monitoring system to track projects.<sup>22</sup> The ECA has found that indicators were sometimes only partial or insufficiently well-defined. Further “the milestones and targets are generally limited to measure output rather than impact and that the approach in setting milestones and targets was not always harmonized across Member States.”<sup>23</sup> In a dynamic external environment, there is also a risk that a changing geopolitical and economic context may undermine the basis for setting milestones and targets.<sup>24</sup>

- **Coherence.** The RRF was deliberately designed with a centralised governance model, without taking account of the principle of subsidiarity.<sup>25</sup> There is evidence of weak coordination between NRRPs and Cohesion Policy programmes with a risk of competition for projects and lack of exploitation of synergies.<sup>26</sup> The prioritisation of the RRF over other EU funds has already had an impact on absorption and the capacity of Cohesion Policy.<sup>27</sup>
- **Accountability.** A question raised at the start of the period is how the Council exercises its role and whether Member States are prepared to criticise each other's plans and their implementation. Certainly during the approval stage it was noted that “there seems to have been little enthusiasm among member states to seriously engage with each other's plans”.<sup>28</sup> Enforcement of non-compliance will be a test of accountability,<sup>29</sup> but the ECA, among other commentators, has taken issue with the adequacy of financial management, control and audit, especially the detection of double funding and fraud.<sup>30</sup> This opens up the risks of waste, duplication and misdirected investment.<sup>31</sup> As the ECA noted in its most recent report on the RRF “an

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<sup>22</sup> Regions for EU Recovery (2022) [Benchmark study on the implementation of the Recovery and Resilience Facility at the regional level](#), Ministry for Foreign Action and Open Government of the Government of Catalonia in collaboration with Regions for EU Recovery.

<sup>23</sup> ECA (2022) *op. cit.*

<sup>24</sup> Schramm *et al* (2022) *op. cit.* ECA (2022) *op. cit.*

<sup>25</sup> RFER (2022) *op. cit.* Patrin (2023) *op. cit.*

<sup>26</sup> Bartzokas A, Giacon R and Macchiarelli C (2022) [Exogenous Shocks and Proactive Resilience in the EU: The Case of the Recovery and Resilience Facility](#), *Europe in Question Paper No. 177/2022*, London School of Economics and Political Science, August 2022

<sup>27</sup> Barbero *et al* (2022) *op. cit.* Corti and Ferrer (2022) *op. cit.*

<sup>28</sup> Schramm L, Krotz U and De Witte B (2022) [‘Building ‘Next Generation’ after the pandemic: The implementation and implications of the EU Covid Recovery Plan](#), *JCMS: Journal of Common Market Studies*, Vol 60, Issue S1, pp 114-124

<sup>29</sup> Kozlovs M (2022) [The RRF – a hitherto missing element in economic and structural policy co-ordination under the European Semester?](#), in ECA Journal no.2/2022 *The EU Recovery and Resilience Facility: a jump to a resilient Europe?*, pp 60-65. ECA (2023) *op. cit.*

<sup>30</sup> ECA (2023) [Design of the Commission’s control system for RRF: Assurance and accountability gap remains at EU level in the delivery model, despite extensive work being planned](#), Special Report 07, European Court of Auditors, Luxembourg. Van Overtveldt, J and Hohlmeier, M (2023) [The EU’s taken too many financial risks on COVID-19 and Ukraine](#), *Politico*, 24 January 2023

<sup>31</sup> Tagliapietra S (2021) [EU countries: NRRPs: a cross country comparison](#), Presentation testimony to Economic Affairs Committee of French Senate (November 2021). Darvas (2022) *op. cit.*



assurance and accountability gap remains at EU level in protecting the financial interest of the Union".<sup>32</sup> Other accountability issues relate to 'questionable compliance' with the Do No Significant Harm (DNSH) principle.<sup>33</sup>

Taking stock of the RRF to date, the main concern from a Cohesion Policy perspective is the weak emphasis on regional and local disparities. Although social and economic cohesion is one of the six pillars of the RRF, only ten percent of funds allocated in NRRPs have cohesion as the primary objective; a further 40 percent of funds has it as a secondary objective. The centralised decisions on design and implementation mean a lack of involvement of (or ownership by) regional and local authorities in many Member States. Only in a limited number of Member States are NRRPs and Cohesion Policy programmes managed by the same government ministry or agency (e.g. Poland, Portugal, Spain).

One of the drawbacks of the RRF monitoring system is that the geographical allocation of funding is unclear. There is no harmonised RRF data by region. National websites have partial lists of recipients but rarely provide their geographical distribution. Some of the exceptions are Belgium, Estonia, France, Greece, Italy, Portugal and Spain, but without consistency in the provision of data. Clearly, this limits the scope for analysis across countries or at EU level.

Apart from the lack of a territorial dimension and multilevel governance, there are several areas of implementation that need to be considered if the RRF model were to have longer term use and wider relevance to other policies.

- Adopting the RRF model **may not lead to major simplification of administration**. Research on the implementation of the RRF has found that "the fulfilment of milestones and targets has become extremely heavy and bureaucratic" while national authorities still need invoice-based financial verification to ensure sound financial management.<sup>34</sup>
- The performance framework for NRRPs **lacks a consistent, rigorous justification for targets and outcomes** – what in Cohesion Policy is termed a 'theory of change' – and does not universally provide results. Indicator systems are variable in terms of definition and quality.
- The concerns of the ECA over assurance indicate **risks to sound financial management and reputational damage** to the EU's largest and politically important intervention.
- While the scale of funding committed to the RRF will undoubtedly provide significant impact on investment and growth, there is a **need to integrate independent evaluation** into the process of designing and implementing RRF-type intervention,<sup>35</sup> ideally *ex ante*, at interim stage and *ex post*.

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<sup>32</sup> ECA (2023) *op. cit.*

<sup>33</sup> *Ibid.* ZOE Institute for future-fit economies (2021) [A future-fit recovery? A sectoral analysis of practices for promoting systematic change in the NRRPs based on the Recovery Index for Transformative Change \(RITC\)](#), Transformation Report #1 – 06/2021

<sup>34</sup> Zeitlin *et al* (2023) *op. cit.*

<sup>35</sup> Darvas and Welslau (2023) *op. cit.*



### 3.3 Managing the relationship between the RRF and Cohesion Policy in practice

Turning to the operational experience of the RRF, the relationship between the National Recovery and Resilience Plans (NRRPs) and Cohesion Policy presents challenges and opportunities for the EU and Member States. Coordination of the NRRPs with Cohesion Policy is a complex task. Achieving effective synergies depends on the relationships in strategic planning, governance frameworks and implementation arrangements, as well as territorial considerations. This section examines how NRRPs align with Cohesion Policy in terms of strategic planning, governance implementation and territorial cohesion, and sheds light on the lessons for the future of Cohesion Policy.

#### 3.3.1 Strategic planning

A range of approaches are used to coordinate the NRRPs and Cohesion Policy frameworks. Most countries have focused on avoiding overlaps and double financing, while trying to ensure that the NRRP complements existing or planned Cohesion Policy investments. The degree of explicit coordination and strategic alignment varies. Significant resource constraints in programming Cohesion Policy and NRRP by the same institutions were seen in some countries, and complexities arising from defining criteria for demarcation was a common challenge.

- **Implicit strategic alignment with limited explicit coordination.** Many countries report a strong implicit strategic alignment between their NRRPs and Partnership Agreements/programmes. This largely arises from a shared emphasis on sustainable development, green transition, and digital transformation. In countries with low levels of RRF funding, coordination can be less salient. For instance, in Denmark the main RRF investments focus on green tax reforms.
- **Strategic alignment through institutional synergy** (Bulgaria, Cyprus, Hungary, Ireland, Poland). In Bulgaria and Cyprus, the same institutions are responsible for managing the NRRP and Cohesion Policy, facilitating strategic coordination. In Hungary, the Prime Minister's Office has coordinated the finalisation of the NRRP and the Cohesion Policy strategies and their implementation. Ireland pursues strong inter-departmental communication through joint representation on the Partnership Agreement committee.
- **Long-term strategy alignment** (Estonia, Portugal). Estonia and Portugal have long-term strategies ('Estonia 2035' and 'PT 2030' Strategy, respectively) that serve as a foundational backbone for aligning both NRRP and Cohesion Policy objectives.
- **Demarcation and coordination.** Several countries, including Belgium, Finland, France, Germany and Luxembourg, prioritise clear demarcation to avoid double-financing. France employs a comprehensive framework to allocate specific investments to distinct funds. In Belgium, Flanders aligns themes between Structural Funds and the NRRP, while Brussels and Wallonia develop complementary but different programme guidelines. Germany focuses less on thematic coordination and more on distinct





boundaries, with subnational ERDF strategies taking the NRRP into account to avoid overlaps - implying restriction in planning for Cohesion Policy. While the Finnish RRP and Cohesion Policy programmes were designed to address different areas of support, (e.g. broadband will only be supported by the RRP), synergies between instruments are still evident.

- **Contrasting rationales.** Germany sees the NRRP as a temporary crisis instrument, contrasting with the long-term structural orientation of Cohesion Policy. By contrast, Bulgaria, Portugal and Romania underline the long-term structural impact of both the NRRP and Cohesion Policy, notwithstanding the different implementation timeframes.
- **Centralised vs decentralised planning** (Austria, Italy, Germany, Spain). The centralised programming of NRRP has created tensions with the multilevel governance logic of Cohesion Policy. In Germany, for example, the centralised planning of the RRF made the achievement of strategic coherence across the much more decentralised and multi-level planning approach of Cohesion Policy extremely challenging. In Austria and Spain, some *Länder*/Autonomous Communities have been critical of their reduced role in strategic planning under the RRF, in comparison to Cohesion Policy.

### 3.3.2 Governance mechanisms

The mechanisms governing the implementation of National Recovery and Resilience Plans (NRRP) and their alignment with Cohesion Policy vary in centralisation of control, the formality of coordination, and inter-ministerial coordination. Administrative capacity presents a significant challenge for a number of countries.

- **Centralised governance** models are prevalent in countries such as Austria, Cyprus, Finland, and Italy with specific ministries or departments coordinating the majority or key responsibilities related to NRRP and Structural Funds.
- By contrast, **multilevel governance frameworks**, exemplified by Belgium, involve both national and regional levels through an Inter-ministerial Conference for coordinated action reflecting the federal political structure.
- **Formal mechanisms for inter-ministerial coordination** include committees and councils tasked with the joint steering of the NRRP and Cohesion Policy (e.g. Bulgaria, Belgium, Croatia, Estonia, Romania and Luxembourg).
- **Informal coordination** has also been found to be effective, facilitated by strong existing relationships (Poland) and smaller administrative structures (Ireland). Greece and Hungary rely on a more implicit alignment of objectives between different ministries.
- **Administrative capacity for coordination** is under strain in many countries. Bulgaria and Poland face challenges in managing both Cohesion Policy and NRRP with the same resources. Efforts to strengthen administrative capabilities are underway in Czechia, Italy and Romania. In Czechia, capacity is gradually being built in the RRF structures, although differences remain compared to Cohesion Policy experience such as the methodological support available for applicants and implementing bodies.





### 3.3.3 *Implementation*

Effective coordination of RRF and Cohesion Policy at the implementation stage is supported through project generation and selection processes, scheduling of timing and oversight mechanisms.

Synchronisation or sequencing of the timing of project pipelines poses a common challenge. Differences in rules and timing between the funds has led to administrative confusion in some cases e.g. Estonia. Czechia has raised issues concerning absorption capacity for green projects, a priority under both policies. By contrast, staggered timing has helped to avoid a tug of war over projects in Ireland. Pro-active steps to improve timing coordination include the development of timetables (France) and annual reports on implementation of both policies (Greece). An additional issue arises from uncertainties surrounding the possibility of cumulated funding from the different funding instruments, compounding the challenges of coordinating implementation timelines effectively.

**Centralised coordination** of the two policies can facilitate coordination of project pipelines. This has been the case in Poland, which benefits from the consolidation of responsibilities within its Ministry of Development Funds and Regional Policy. Italy emphasises the importance of robust coordination between different financial resources through a specialised committee, and more so with the current integration of the Agency for Territorial Cohesion into the Department for Cohesion Policies under the Presidency of the Council headed by the Prime Minister.

**Streamlined management responsibilities for project generation and selection** can further improve coordination. In Austria, the ERDF OP Intermediate Bodies are the same bodies implementing the NRRP. In Hungary, OP Managing Authorities have been recently appointed as implementing entities for the NRRP with responsibilities for project selection, contracting, monitoring, first-level control, release of payment for project promoters and managing irregularities and recoveries.

**Management oversight** varies based on governance structures and priorities within individual countries. In Hungary, clarity in roles and responsibilities is achieved by appointing Managing Authorities specifically for the NRRP. Romania has a high level of political oversight at the Prime Ministerial level due to concerns about implementation delays. In Slovenia, governance is streamlined through an independent body housed within the Ministry of Finance which has been specifically established to implement the NRRP.

### 3.3.4 *The territorial dimension*

**Coordinating the territorial dimension of NRRPs and Cohesion Policy presents a final challenge due to their differing objectives, governance structures and implementation rules.** Research by EoRPA, including interviews with staff involved in both Cohesion Policy and NRRPs, reveal



considerable variation in the emphasis on territorial cohesion and governance in the NRRPs and associated alignment with Cohesion Policy (see Table 1). Approaches can be categorised in three types.

- **Territorial alignment.** In this category, there is alignment with territorial objectives and instruments under Cohesion Policy and subnational actors are involved in the planning and implementation of NRRPs (Belgium, Greece, Italy, Spain). There can also be significant budget allocations for regions to manage. Challenges in this category include administrative delays. For instance, the focus on southern regions in Italy has led to discussions about the transfer of NRRP projects to Cohesion Policy programmes.
- **Mixed models.** This category often features a blend of national and regional elements in NRRP planning strategies, generally complementing Cohesion Policy (Bulgaria, Czechia, Cyprus, France, Hungary, Netherlands, Poland, Portugal). One of the main challenges here is the potential lack of a clear or explicit focus on territorial cohesion, coupled with limited involvement from subnational actors.
- **National approach.** These countries typically view NRRPs as instruments oriented towards national objectives, downplaying territorial cohesion and governance (Estonia, Finland, Germany, Ireland, Luxembourg, Romania, Slovenia, Slovakia, Sweden). Justifications for this include small geographic size (e.g. Estonia and Luxembourg) socio-economic or administrative efficiency. However, this national focus can overlook regional disparities and result in sub-optimal use of subnational resources.

**Table 1: Territorial dimension of NRRPs – commonalities and challenges**

Category	Country	Commonalities	Challenges
Territorial alignment	Belgium, Greece, Italy, Spain	NRRPs pursue territorial cohesion objectives and involve regions in planning and/or implementation. Some countries allocate significant budgets to regions or less developed areas.	Potential administrative delays in regions with limited capacity
Mixed approach	Bulgaria, Czechia, Cyprus, France, Hungary, Netherlands, Poland, Portugal	NRRPs incorporate both national and territorial cohesion/governance elements.	Reduced role for regions and less clarity in territorial cohesion direction, leading to fewer explicit synergies
National approach	Austria, Estonia, Finland, Germany, Ireland, Luxembourg, Romania, Slovenia, Slovakia, Sweden	NRRPs predominantly treated as national instruments with limited territorial dimension or governance, as compared to Cohesion Policy.	Limited recognition of regional disparities; under-utilisation of regional governance mechanisms or resources.

Source: EPRC research





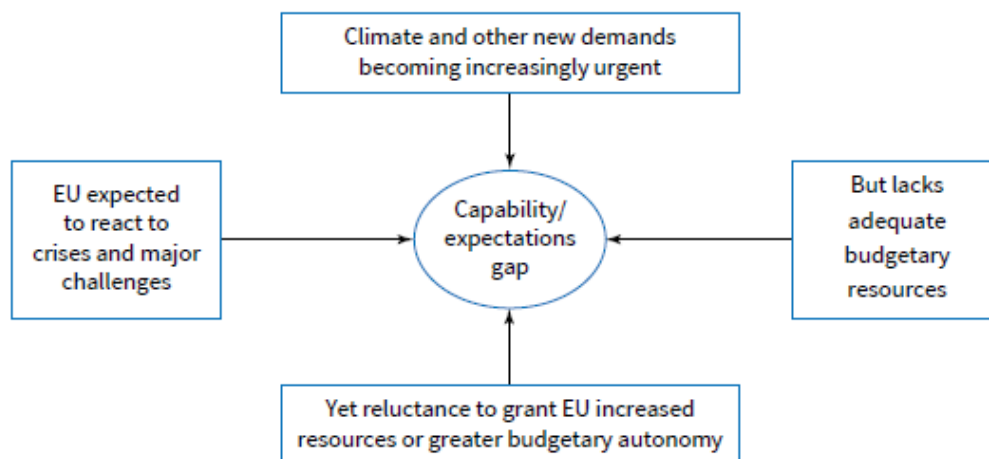
## 4 THE POST-2027 REFORM OF COHESION POLICY: CONTEXT

The context for Cohesion Policy reform is complex, potentially affecting almost every aspect of the policy's design. This section discusses four key issues: the Mid-Term Revision of the MFF; the proposed changes to European economic governance; the changing regional economic situation; and the potential enlargement of the EU.

### 4.1 Reconciling EU priorities and resources in the MFF

The difficulty for the EU is its so-called budgetary quandary. Existing commitments (e.g. net zero) and new crises (Ukraine) which are not adequately funded, combined with an unwillingness by Member States to provide new resources, and the increasing use of off-budget mechanisms have created an “incoherent financial architecture” (see Figure 8).<sup>36</sup>

**Figure 8: The EU budgetary quandary**



Source: Begg (2023) *op. cit.*

#### 4.1.1 Mid-Term Revision of the MFF

This quandary is the backdrop to the Mid-Term Revision (MTR) of the MFF,<sup>37</sup> which focuses on the depletion of EU budgetary resources in dealing with the energy crisis, military support, mobilisation of humanitarian assistance and emergency aid, and the costs of the EU's

<sup>36</sup> Begg I (2023) *The EU's Increasingly Complex Finances: A Ticking Bomb?* EconPol Forum 3 / 2023 May Volume 24, pp16-19.

<sup>37</sup> COM (2023) *Mid-term revision of the Multiannual Financial Framework 2021-2027*, Communication from the Commission to the European Parliament, the European Council the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 20.6.23, COM(2023) 336 final.



migration and asylum policy. A key proposal is to create the Strategic Technologies for Europe Platform (STEP) to lever existing EU instruments – including Cohesion Policy funds – for supporting clean-tech, biotech and digitalisation projects.

The MTR was accompanied by a proposal for a Council Regulation increasing the expenditure ceilings in commitment appropriations of just under €21 billion (2018 prices) for Headings 1, 3, 4, 5, 6 and 7 – though not Heading 2 (Cohesion and Values) – see Table 2.<sup>38</sup> Two further Regulation proposals cover the establishment of the Ukraine Facility and the STEP.

**Table 2: Commission proposal for the revision of the 2021-2027 MFF (2018 prices, € million)<sup>39</sup>**

Headings	Current MFF	Proposal for Revision	Difference vs current MFF	% change vs current MFF
1. Single market, innovation and digital	134,416	137,436	3,020	+2.2%
2. Cohesion, resilience and values	378,124	378,124	0	0%
2a. Economic, social & territorial cohesion	328,134	328,134	0	0%
2b. Resilience and values	49,990	49,990	0	0%
3. Natural resources and environment	356,294	360,605	4,311	+1.2%
of which: market-related expenditure and direct payments	252,640	252,605	0	0%
4. Migration and border management	23,052	24,745	1,693	+7.3%
5. Security and defence	13,182	14,475	1,293	+9.8%
6. Neighbourhood and the world	98,419	107,475	9,056	+9.2%
7. European public administration	73,102	74,723	1,621	+2.2%
of which: administrative expenditure of the institutions	55,852	57,183	1,331	+2.4%
<b>TOTAL commitments</b>	<b>1,076,589</b>	<b>1,097,583</b>	<b>20,994</b>	<b>+2.0%</b>
In % of GNI (EU-27)	1.01%	1.03%		
<b>TOTAL payments</b>	<b>1,065,558</b>	<b>1,076,055</b>	<b>10,497</b>	<b>+1.0%</b>
In % of GNI (EU-27)	1.01%	1.02%		

Source: EPRS, based on technical update of the MFF of 6 June 2023 (COM(2023) 320 final and proposal for a Council regulation (revision), COM(2023) 337 final.

Initial reaction to the MTR, however, has been critical from several groups of Member States. There is limited support, to date, for additional resources, as well as objections to several proposed forms of revenue generation and insistence that the Commission should look at ways of reallocating funding from existing sources. By contrast, the European Parliament's Budget

<sup>38</sup> *Ibid.*

<sup>39</sup> EPRS (2023) [Revision of the EU's long-term budget for 2021 to 2027: Securing sufficient resources for the EU](#), European Parliament Research Service, Brussels.





Committee states, in a draft report, that while the MTR proposals are welcome, an additional €10 billion is required for Headings 1, 4, 5, 6 and the special instruments.<sup>40</sup>

The MTR made little mention of the challenges for cohesion. The review was preceded by a Staff Working Document updating some of the analysis in the 8<sup>th</sup> Cohesion Report, highlighting the persistence of disparities in regional competitiveness, labour market performance, research and innovation, demographic change and access to basic services.<sup>41</sup> The report concluded that:<sup>42</sup>

*“Economic, social, and territorial cohesion is key to ensuring the balanced and sustainable growth of the EU. Growth without cohesion will compound concentration trends, increasing territorial and social division. Those left behind may grow resentment and discontentment towards the democratic system and the values in which the EU is grounded.”*

The coverage of Cohesion Policy in the MTR itself is restricted to two issues.<sup>43</sup> First, the MTR is critical of the slow launch of the new Cohesion Policy programmes and the lack of spending; it emphasises the need substantially to speed up implementation and the risk of decommitment. This reflects the figures in the Commission's budgetary performance scoreboard for Cohesion Policy which recorded a commitment rate of 16.2 percent<sup>44</sup> and payment rate of 1.6 percent at the end of 2022.<sup>45</sup> While the MTR acknowledges the reasons for the delayed commitment/payment levels, it nevertheless highlighted that the “implementation of the new generation of cohesion policy lags behind compared to the previous MFF” and it notes how the ambition that the ‘green transition should leave no-one behind’ is jeopardised by the projected delay in payments.

Second, the MTR STEP Regulation proposes support for STEP by creating a new priority across all cohesion funds. The new Regulation also proposes to open up those funds for large companies in less developed and transition regions, as well as in more developed regions of Member States with a GDP per capita below the EU average. To incentivise uptake by Member

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<sup>40</sup> *Ibid.*

<sup>41</sup> COM(2023) [Regional Trends for Growth and Convergence in the European Union](#), Commission Staff Working Document, Brussels, 1.6.2023, SWD(2023) 173 final.

<sup>42</sup> *Ibid.*, pp7-8.

<sup>43</sup> COM (2023) [Mid-term revision of the Multiannual Financial Framework 2021-2027](#), Commission Staff Working Document accompanying the document Communication from the Commission to the European Parliament, the European Council the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 20.6.23, COM(2023) 336 final.

<sup>44</sup> Note that this figure refers to budgetary commitments rather than finances implemented ‘on the ground’.

<sup>45</sup> [European Commission Programme Performance Statement – Cohesion Policy](#), accessed 11.9.23



States, the Commission proposes a 30 percent pre-financing in 2024 and an increase in EU co-financing to 100 percent for STEP projects.

The Commissioner for Regional Policy has emphasised that STEP and other instruments should “follow, and respect, a cohesion logic”<sup>46</sup> and also that the CPR remains untouched “except for some very minor and limited adjustments to ensure compatibility with the Sovereignty Seal and the reporting requirements for STEP projects”. However, there are clearly threats from measures such as the temporary State aid rules that favour more developed regions.

The low priority accorded to cohesion is reflected in its absence from the recent State of the Union 2023 address by the Commission President; the speech made no mention of concerns with regional disparities, development challenges or the geography of discontent. This is not new – previous SOTEU speeches by the current President have also ignored cohesion. In fact, it is necessary to go back to 2015-16 to find a SOTEU which mentions the importance of ‘convergence between and within Member States’.

#### 4.1.2 Longer term budgetary challenges

The contested debate on the MTR foreshadows the difficult debates to come on the post-2027 MFF, partly about net balances but also whether EU finances needs a more fundamental reform. As the ECA has pointed out,<sup>47</sup> *“the piecemeal approach to the setup of the EU’s financial landscape has resulted in a patchwork construction....composed of many instruments with a variety of governance arrangements and sources of funds, and different coverage of potential liabilities”*.

In this context, a recent study for the European Parliament argues for reform: alignment of the budget with public economics principles; addressing the gap between fiscal aspirations and limitations on the MFF; and revisiting the EU’s fiscal framework.<sup>48</sup> Key recommendations of the study include the following.

- **Expenditure.** Re-evaluate what public goods the EU budget supports from both an economic and political perspective. Focus more on European added value and categorise the EU budget into: EU public goods; agile spending for macroeconomic purposes; and external action.

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<sup>46</sup> [\*Speech by Commissioner Elisa Ferreira on the mid-term review of the 2021-2027 MFF and STEP at the Committee of Regional Development of the European Parliament\*](#), Brussels, 27.6.2023

<sup>47</sup> ECA (2023) [\*The EU’s financial landscape A patchwork construction requiring further simplification and accountability\*](#), Special Report 2023/05, European Court of Auditors, Luxembourg.

<sup>48</sup> Begg I, Le Cacheux J, Liscai A, Rispal N and Benedetto G (2023) [\*Options for a Stronger and More Agile EU budget\*](#), Policy Department for Budgetary Affairs, Directorate-General for Internal Policies, PE 755.099, October 2023, European Parliament, Brussels.





- **Revenue.** Aim for a larger share from genuine own resources by a fixed date. Link new resources to EU policies, especially the twin transitions. A mix of resources can ensure fairness among Member States but might increase administrative burdens.
- **Lending mechanisms.** Consolidate lending mechanisms, potentially under a European Debt Agency. Explore extending the European Stability Mechanism (ESM) mandate and incorporating it into EU law.
- **Budgetary capacities.** Propose deadlines for new budgetary capacities, starting with reinsurance-oriented mechanisms.
- **Legal base.** Utilise legal bases other than Article 122 TFEU where possible.
- **Multi-annual Financial Framework.** Consider a ten-year rolling MFF with regular break points.
- **Monitoring.** Merge the best practices from Cohesion Policy and the Recovery and Resilience Facility for better performance budgeting.
- **Legislative procedures.** Apply the ordinary legislative procedure for new EU funding mechanisms, even during crises, minimising exceptions.
- **Financial regulation.** Introduce conditions for implementing new funding mechanisms without European Parliament's co-decision, with strict rules limiting such mechanisms.

After more than three decades since the last major reform, the study concludes that “a more radical reform of the EU’s finances is increasingly compelling”. Other studies have echoed this conclusion, focusing on the need to give the EU more flexibility to respond to changes in the geopolitical situation and new societal challenges, for example adapting the length of EU programmes to differing policy requirements, the use of sunset clauses, and more performance-oriented audit.<sup>49</sup> There are also wider questions raised by the fragmented system for EU financing – with its mix of instruments inside and outside the EU budget and flexibility mechanisms – relating to accountability and democratic scrutiny that need to be addressed.<sup>50</sup>

## 4.2 European Semester and cohesion: governance

A second, potentially influential process affecting Cohesion Policy in the post-2027 period concerns the latest European Semester reforms. The role of cohesion as part of EU economic governance has been evolving over the past decade. Following the financial and economic crises, Cohesion Policy has developed greater linkage with the Europe 2020 strategy and European Semester to improve alignment with EU macroeconomic and microeconomic policies. Measures linked to sound economic governance led to greater macroeconomic

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<sup>49</sup> Schout A, Molthof L and Hollander S (2023) [The Multiannual Financial Framework The search for flexibility and recognised effectiveness](#), Clingendael Report, Netherlands Institute of International Relations.

<sup>50</sup> Sapala M (2020) Strengths and Weaknesses of the EU Budget Flexibility ‘toolbox’ in B Laffan, and A De Feo [EU financing for next decade – MFF 2021-2027 and next generation EU](#), European University Institute, 2020, 253-266.





conditionality being imposed on Member States. Cohesion Policy was expected to contribute to the investment goals in the Country-Specific Recommendations (CSRs), while the reform-oriented CSRs were seen as potentially important for improving the policy and institutional environment in which Cohesion Policy operates.<sup>51</sup>

However, the linkage has not been fully exploited by the lack of recognition of territorial differences within and between Member States and territorial potential. Cohesion was not included in the strategic reforms for growth and structural transformation in the CSRs, which were also often short term and lacked focus. Cohesion Policy interests were not represented either at EU level or via regional authority representation.

An important step forward was taken with the inclusion of DG Regio in an annex to the country reports in 2019 (Annex D) which provided guidance on investment priorities for cohesion funds. Intended to inform the programming dialogue with Member States, the investment priorities were based on assessments of needs for socio-economic and territorial development in each Member State. This recognised that the macroeconomic framework is weakened by regional disparities. A similar approach was taken in the 2020 country reports to inform the programming of the new Just Transition Fund.

A greater recognition of cohesion issues in the European Semester continues in the latest country reports. The 2023 reports include analysis of cohesion challenges (Annex 17: Economic and Social Performance at Regional Level) and recognise the importance of complementarity between EU funding instruments, especially synergies between the RRF and Cohesion Policy and a highlighting of areas where the RRF needs to do more to reduce regional disparities.<sup>52</sup>

In April 2023, the Commission presented new legislative proposals to implement a comprehensive reform of the EU's economic governance rules.<sup>53</sup> These seek to strengthen public debt sustainability and promote sustainable and inclusive growth through reforms and investment. The proposal briefly notes that Cohesion Policy funds should also be synchronised with the European Semester process.

*“As the long-term investment policy of the EU budget, cohesion policy investments and reforms should also be duly taken into account in the drawing of the national medium-term fiscal structural plans. Each Member State should also explain how its national medium-term fiscal structural plan will ensure consistency with the*

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<sup>51</sup> Bachtler J, Oliveira Martins J, Wostner P and Zuber P (2019) *Towards Cohesion Policy 4.0: Structural Transformation and Inclusive Growth*, Regional Studies Policy Impact Books, Volume 1, Issue 1, Regional Studies Association.

<sup>52</sup> *2023 European Semester Country Reports*

<sup>53</sup> COM (2023) *Proposal for a Regulation of the European Parliament and of the Council on the effective coordination of economic policies and multilateral budgetary surveillance and repealing Council Regulation (EC) No 1466/97*, Brussels, 26.4.2023 COM(2023) 240 final.





*expenditure on EU programmes fully matched by EU funds revenue and the relevant national co-financing.”*

The main concern is that the primacy given to macroeconomic stability means a relegation of social and territorial issues as secondary concerns, with insufficient commitment to enhancing cohesion and convergence.<sup>54</sup>

### 4.3 Where to allocate funding: competition for resources?

The algorithm for determining regional eligibility and the allocation of funding is always central to reform debates. Under the current allocation formula, the latest GDP per head data for 2019-21 indicates limited changes in the eligibility status of regions in 2021-27 compared with the position during the recent reform (see Figure 9). The majority of countries would experience no changes in the eligibility status of their regions.

The shifts in eligibility are concentrated in nine countries, with upward shifts anticipated in three countries:

- Czechia: two regions, Severovýchod and Střední Morava, would move Less Developed Region (LDR) to Transition Region (TR) status;
- Malta: the entire country would progress from TR to More Developed Region (MDR) status; and
- Poland: the region of Śląskie would advance from LDR to TR status.

By contrast, downward shifts in eligibility are expected in the following countries with most of the shifts being downgrades from a Transition to a Less Developed region:

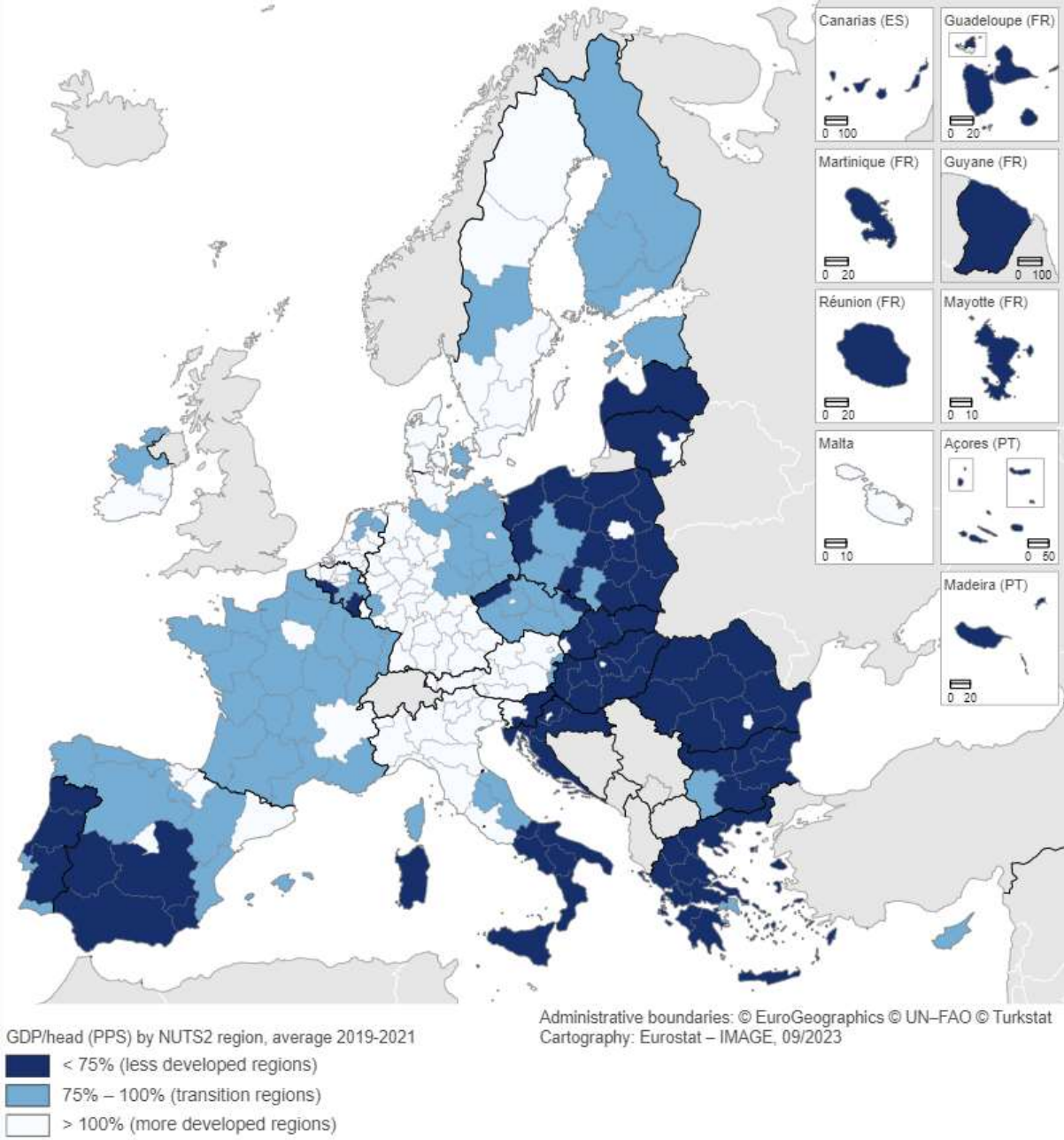
- Belgium: the province of Hainaut would move from a TR to LDR;
- France: Martinique would also move from TR to LDR status;
- Germany: Leipzig would shift from a MDR to TR;
- Greece: the Notio Aigaio region would move from TR to LDR status;
- Spain: three regions—Aragón, Murcia, and Canarias—would move from TR to LDR status; and
- Portugal: the metropolitan area of Lisboa would move from MDR to TR.

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<sup>54</sup> Huguenot-Noël R (2023) *'Cash for Reforms' in the EU after the RRF: Can Cohesion benefit?* Paper to the High-Level Group on the Future of Cohesion Policy, August 2023



Figure 9: Updated eligibility status of EU regions using 2019-21 GDP data



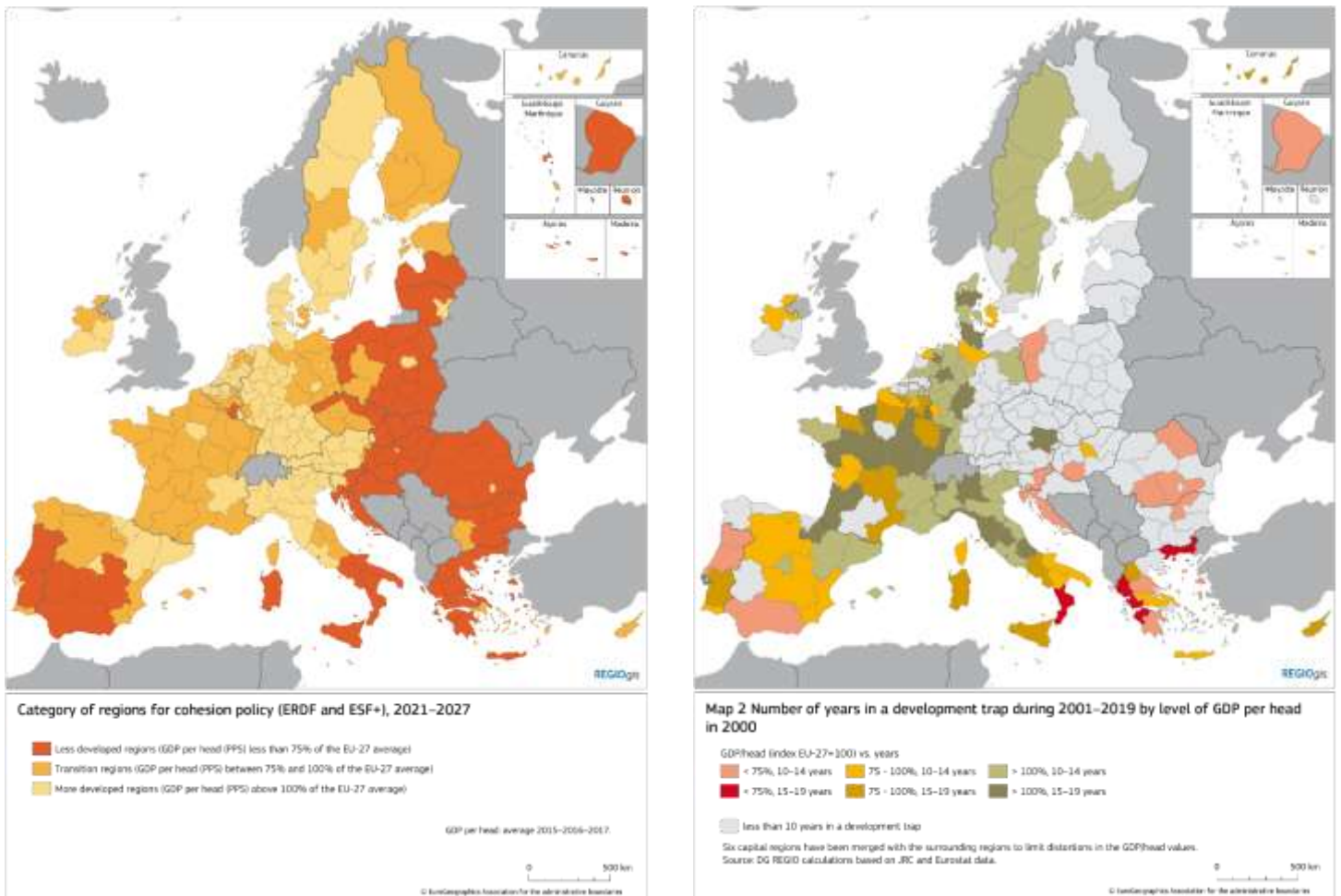
Source: EPRC using Eurostat IMAGE map tool





Looking forward, however, there will be pressures for more attention to be given to middle-income regions where economic growth has stagnated or declined. As Figure 10 shows, drawing on maps from the 8<sup>th</sup> Cohesion Report, several of the regions in 'development traps' for a decade or more are already classified as Less Developed Regions. However, there is a large number of regions that similarly have experienced low growth that have Transition Region or More Developed Region status. Focusing more resources on the latter regions would imply a significant shift in funding.

**Figure 10: Comparison of current map of regional eligibility (2021-27) with map of development traps**



Source: COM (2022) 8<sup>th</sup> Cohesion Report.

A further challenge is how to respond to the green transition. Research on the vulnerability of regions has shown that:<sup>55</sup>

<sup>55</sup> Rodríguez-Pose A and Bartalucci F (2023) *Regional vulnerability to the green transition*, Single Market Economics Papers, Working Paper 16, Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs, European Commission, Brussels.



- metropolitan areas and capital cities are generally less vulnerable and more capable of adapting to the structural changes caused by the green transition;
- lagging regions in Central and Eastern Europe and the Mediterranean are particularly vulnerable given their dependency on sectors affected by climate change or mitigation policies, such as tourism or heavy industry, including coal and lignite mining;
- industrial regions, often in More Developed Regions such as in Germany, France, Denmark also have a vulnerability to the green transition given the presence of heavy industrial sectors with high emissions – oil, cement, steel and chemicals as well as sectors like automotive – although many of these have the institutional capacity and resources to manage structural change.

These varying regional vulnerabilities will also influence the debate on future maps of regional eligibility for Cohesion Policy.

## 4.4 The next EU enlargement: new demands

In her State of the Union speech,<sup>56</sup> the Commissioner stated a "need to set out a vision for a successful enlargement" and proposed a "series of pre-enlargement policy reviews" to assess the adaptation of different policy areas for an enlarged EU. European Council President Charles Michel has previously said that the EU should be ready for enlargement by 2030.<sup>57</sup> In early November 2023, the Commission's Enlargement Report<sup>58</sup> recommended opening negotiations with Ukraine and Moldova, to grant candidate status to Georgia and to open accessions negotiations with Bosnia-Herzegovina, 'once the necessary degree of compliance is achieved'.

There are currently eight candidate countries and two potential candidate countries at various stages in the accession process (see Table 3). Negotiations with Montenegro and North Macedonia are furthest advanced but both have some way to go to meet the accession criteria. In some cases – Serbia and Turkey – there are wider political issues still to be resolved. Many Member States also have had reservations; as recently as June 2023, commentators were arguing that "few anticipate enlargement as a realistic prospect for the foreseeable future even for the candidate countries."<sup>59</sup>

The debate on enlargement is tied up with institutional reform, which has highly contentious implications in areas such as voting, conditionalities, political representation in the EU institutions and costs, with different views among Member States and political parties. Recent reform proposals demonstrate the complexities of the decisions, especially on the pace of

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<sup>56</sup> [2023 State of the Union Address by President von der Leyen](#), 13.9.2023

<sup>57</sup> [Charles Michel: Get ready by 2030 to enlarge EU](#), *Politico*, 28.8.23

<sup>58</sup> European Commission (2023) [2023 Communication on EU Enlargement Policy](#), Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Brussels, 8.11.2023 COM(2023) 690 final

<sup>59</sup> Tudzarovska E (2023) [EU enlargement: prospects and challenges](#), *Social Europe*, 5.6.2023.





enlargement and whether multi-speed integration is advisable.<sup>60</sup> As with the 2004 and 2008 enlargements, concerns about sectoral competition and labour movement may lead to temporary provisions.

**Table 3: Enlargement status of candidate and potential candidate countries**

	Candidate status	Accession stage
Albania	June 2014	Screening process underway
Bosnia & Herzegovina	December 2022	COM has recommended accession negotiations
Moldova	June 2022	COM has recommended accession negotiations
Montenegro	December 2010	Accession negotiations underway
North Macedonia	December 2006	Accession negotiations underway
Serbia	March 2012	Accession negotiations underway
Türkiye	December 1999	Accession negotiations suspended
Ukraine	June 2022	COM has recommended accession negotiations
Georgia	-	COM has recommended Candidate Country status
Kosovo	-	Structured dialogue underway

Source: [European Commission – Enlargement Policy](#)

All the Candidate Countries have a GDP per head substantially below the EU average (see Figure 11). The exception is Turkey which (at 69 percent of the EU27 average) is above Slovakia, Greece and Bulgaria. Among the Western Balkan countries, the GDP per head figures based on 2022 data are:

- Montenegro: 50 percent
- Serbia: 44 percent
- North Macedonia: 42 percent
- Bosnia & Herzegovina: 35 percent
- Albania: 34 percent

Comparable figures for Ukraine and Moldova are not available. Even prior to the war, key statistics for Ukraine did not include occupied Crimea. In 2022, the GDP of Ukraine is estimated to have fallen by some 30 percent as a result of the war, with loss of life, massive destruction of plant and equipment, outflow of refugees and restructuring of the economy on a wartime footing. However, figures for the two countries from Eurostat and the World Bank for 2021 indicated a national GDP per head (PPP) of c.25 percent of the EU27 average for Ukraine and 27 percent for Moldova.<sup>61</sup>

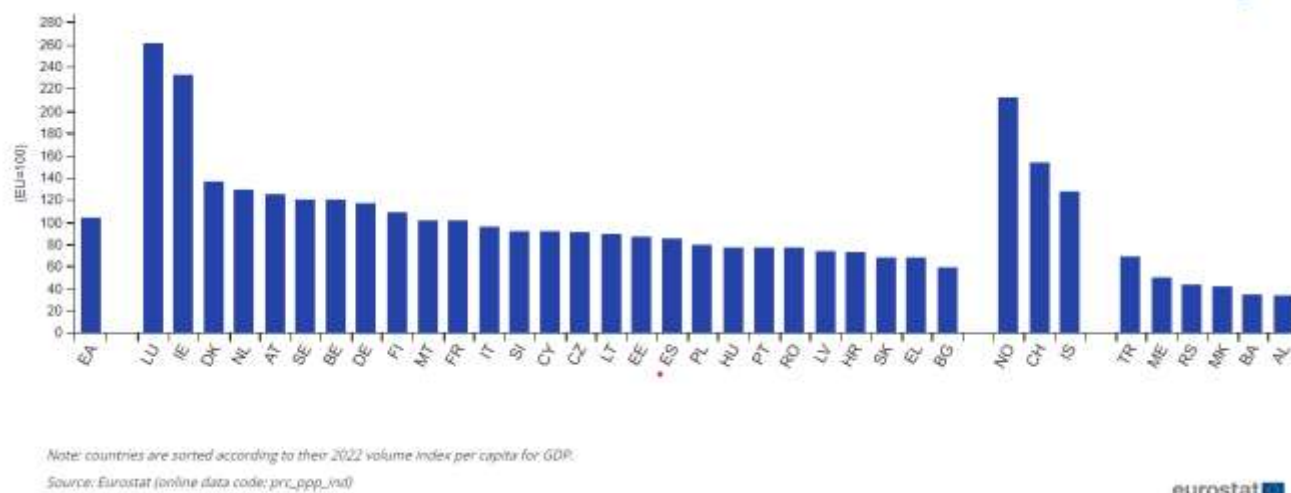
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<sup>60</sup> TPSMI (2023) *Enlargement: Creating an Opportunity for a Stronger EU*, Discussion Report, Vilnius University Institute of International Relations and Political Science, July 2023. [Germany, France make EU reform pitch ahead of enlargement talks, euractiv, 19.9.23](#)

<sup>61</sup> [Eurostat – European Neighbourhood Policy East, Economic Statistics](#)



Figure 11: Indices of GDP per capita, 2022 – EU and Candidate Countries



There are limited data for comparison of regions, but indicative figures for the GDP per head of the Candidate Country regions from Eurostat and national sources show strong core-periphery differences with economies dominated by the capital city in each country.<sup>62</sup>

- Serbia has four NUTS 2 regions with wide variation in GDP per head (PPS). Based on Eurostat data for 2021, GDP per head (compared to the EU27 average) is estimated to range from c.71 percent for Belgrade to c.30 percent for Šumadija and Western Serbia and Southern and Eastern Serbia.
- Albania has 3 NUTS 2 regions, with GDP per head (PPS) ranging from 34 percent in the central region (containing the capital, Tirana) and under 25 percent in the northern and southern regions, especially in peripheral counties like Vlorë, Kukës and Korçë.
- Montenegro, Bosnia & Herzegovina and North Macedonia have single NUTS2 regions.
- Neither Moldova nor Ukraine are yet part of the NUTS system or included in Eurostat. Research on Ukraine based on national statistical sources provides breakdowns of gross regional product per capita nominal by *oblast*.<sup>63</sup> Pre-war data for 2017 indicated a strong core-periphery pattern dominated by Kyiv City (estimated 85 percent of EU27 average) and Kyiv oblast (32 percent) and the industrial/energy *oblasts* of Dnipropetrovsk (35 percent) and Poltava (38 percent). Other regions were mostly in the range 15-25 percent of the EU27 average.

<sup>62</sup> It is important to emphasise that the regional percentages presented here are indicative and are not based on harmonised data sets or the same years. They use national statistical sources for [Serbia](#), [Albania](#) and [Ukraine](#) and use national GDP per capital figures as a percentage of the EU27 to estimate a regional breakdown. The intention is to provide a broad indication of the scale of regional differences in GDP per capita relative to the EU27 among the Candidate Countries. The Ukraine figures are based on research by Getzner M and Moroz S (2022) [The economic development of regions in Ukraine: with tests on the territorial capital approach](#). *Empirica* 49, 225–251 (2022).

<sup>63</sup> Getzner and Moroz (2022) *op. cit.*





It is far from certain that enlargement will take place by 2030, and an agreement for accession for some or all of two East European countries and the five Western Balkan countries and during the next MFF would have significant institutional and budgetary implications. Reports of internal EU calculations have suggested that Ukraine alone would be eligible for €96.5bn from the Common Agricultural Policy and €61bn under EU Cohesion Policy over a seven-year period.<sup>64</sup> As under the 2000-2006 MFF, however, the accession of Ukraine and other new Member States during the next MFF would probably be managed with an interim allocation in the MFF for the acceding countries.

Full incorporation into Cohesion Policy on the same basis as the current allocation method would have implications for regional eligibility given that virtually the whole of the Candidate Countries would be classified as Less Developed Regions (possibly excluding Belgrade and Kyiv City). With an increase in population by over 59 million people but with an increase in GDP of perhaps only about two percent would create a statistical effect for EU27 regions as was the case for the enlargements of the 2000s.

Although some EU leaders have sent positive signals on enlargement, the recent Granada Declaration made only the general statement that:

*“Enlargement is a geo-strategic investment in peace, security, stability and prosperity....both the EU and future Member States need to be ready. Aspiring members need to step up their reform efforts..... In parallel, the Union needs to lay the necessary internal groundwork and reforms.”*

Media reports of Member State views highlight how difficult the decision on enlargement will be, most importantly for payments into, and receipts from, the EU budget.<sup>65</sup>

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<sup>64</sup> [EU estimates Ukraine entitled to €186bn after accession](#), by Henry Foy, *Financial Times*, 4.10.23

<sup>65</sup> [Don't touch my money: Rich regions concerned by perspective of EU enlargement](#), by Jonathan Packroff and Max Giera, *Euractiv*, 13.10.23. [The Brief – the price of enlargement](#), by Benjamin Fox, *euractiv*, 6.10.23. [Backlash grows against Ukraine's accession](#), by Clea Caulcutt and Nicholas Vinocur, *Politico*, 5.10.23





## 5 THE EMERGING DEBATE ON COHESION POLICY REFORM

The debate on Cohesion Policy reform has intensified in 2023 and will continue to develop in the current agenda-setting phase until the publication of legislative proposals in 2025 (Box 1). Following publication of the European Commission's 8<sup>th</sup> Cohesion Report in February 2022 setting out questions on Cohesion Policy reform, a key development is the work of the High-Level Expert Group discussing the future of Cohesion Policy. As noted, the MTR of the 2021-2027 MFF was tabled in June 2023. The next year will see a report on RRF implementation, European Parliament elections, and the 9<sup>th</sup> Cohesion Report suggesting the future direction of Cohesion Policy.

### Box 1: Key milestones for the reform of Cohesion Policy

#### 2023

- March-December: Discussions by the High-Level Group on Future of Cohesion Policy.
- June: Mid-term review on the 2021-2027 Multiannual Financial Framework (MFF).

#### 2024

- By 20 February: Report on the implementation of the RRF.
- Publication of 10<sup>th</sup> Cohesion Report
- 6-9 June: Elections to the European Parliament.
- 2<sup>nd</sup> half of the year (tentative): 9<sup>th</sup> Cohesion Report with recommendations for the future of Cohesion Policy post-2027.

#### 2025

- May: Commission proposal on the Multiannual Financial Framework (MFF) and Cohesion Policy after 2027.
- May: Discussions in the Council working group on Structural Actions.
- Positioning of the European Parliament on the proposal.

#### 2026

- Throughout the year: Continuation of discussions in the Council (possibly with preliminary positions on thematic blocks).
- Presentation of the first "negotiation boxes" for the European Council.
- Until December: Mid-term review of cohesion policy for 2021-2027.

#### 2027

- Publication of 10<sup>th</sup> Cohesion Report.
- June (tentative): European Council meeting focused on the MFF after 2027.
- 2<sup>nd</sup> half of the year (tentative): Trilogues on the Structural Funds Regulations.
- Decision on MFF and Regulations on the new Cohesion Policy.

#### 2028

- Preparations and launch of new programmes.

Source: Petzold (2023)<sup>66</sup>

<sup>66</sup> Wolfgang, P (2023) EU cohesion policy and regions: After the reform, before the reform, EZFF Yearbook of Federalism 2023: Proposal for a contribution under the heading "European Union/European Integration"



In 2025, the Commission will likely introduce proposals concerning the MFF and post-2027 Cohesion Policy, followed by negotiation in the Council's working group and inter-institutional negotiations with the European Parliament. By 2027, the 10th Cohesion Report should be published, and decisions regarding the MFF and new Cohesion Policy regulations will likely be finalised to allow the negotiation of the new round of post-2027 Partnership Agreements and programmes (or successor implementation arrangements) and their launch in 2028.

## 5.1 Revolution rather than evolution?

The challenges of Cohesion Policy have been clearly articulated in a range of contributions from academia, think tanks and interest groups over the past year along the following lines.

- Successive reform phases have seen progressive weakening of the original goals and identity of the policy (termed 'hyper-Lisbonisation' by one commentator<sup>67</sup>), which has been refocused to support the EU growth agenda, with a wider set of objectives and latterly the re-direction of cohesion funds to crisis measures.<sup>68</sup>
- A declining interest in Cohesion Policy at senior levels within the Commission jeopardises its future policy role and budgetary resources.<sup>69</sup>
- Competing EU priorities have greater importance for the EU.
- The RRF presents a possibly existential threat to Cohesion Policy, with an alternative centralised and performance-based implementation approach.
- The delivery system of Cohesion Policy (Coordinating ministries, Managing Authorities, Intermediate Bodies, beneficiaries) is too slow and inflexible to react to changes (especially crises), partly due to deficits in administrative capacity and know-how.<sup>70</sup>

A common thread of several contributions is the need for a radical rethinking of the rationale and role of Cohesion Policy. A paper from the Joint Research Centre (JRC) recommends a 'mission-oriented approach' to structure the multiple priorities of Cohesion Policy under a limited number of cross-sectoral societal goals, combined with targets (missions) that resonate

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<sup>67</sup> Molica F, Da Renzis A and Bourdin S (2023) *Between re-renationalisation and hyper-Lisbonisation: the long goodbye to the EU Cohesion Policy original goals*, Paper to the RSA Annual Conference Special Session, Ljubljana, 14-17 June 2023.

<sup>68</sup> Cappellano F, Molica F and Makkonen T (2023) *Missions and Cohesion Policy: Living separate or dancing together*, JRC Working Papers on Territorial Modelling and Analysis No 02/2023, Joint ResearCh Centre, European Commission.

<sup>69</sup> Hunter A (2023) *Addressing Cohesion Policy's identity crisis in a changing European Union*, Discussion Paper, European Policy Centre, Brussels

<sup>70</sup> Böhme K, Marinović P, Zillmer S, Hat K and Schuh B (2023) *The delivery system of Cohesion Policy now and in future*, COTER, European Committee of the Regions, Brussels.



with policymakers and the general public alike and potentially generate higher support and engagement.<sup>71</sup>

A more recent JRC paper goes further, advocating that the mission of Cohesion Policy should be to support industrial transformation to help the EU meet its goals of strategic autonomy, decarbonisation and twin transition.<sup>72</sup> This foresees the role of the policy as facilitating a place-based dimension to EU industrial policy, and, building on the experience of smart specialisation strategies, to encourage 'bottom-up experimentalism' through more flexible and simplified rules.

In similar vein, the European Policy Centre (EPC) argues for a 'reinvention' of the Policy's purpose to justify strategic long-term investment.<sup>73</sup> It sees a need to redefine an unclear rationale for the policy in the face of stagnating convergence, endemic challenges and places 'left behind' – which are threatening the stability of the EU. Consequently, "it is critical that the upcoming Cohesion Policy debate pivots significantly towards a new fiscal environment, requiring a review of its investment capacity in a more fragile financial context" (see Box 2).

Two further contributions from the Conference of Peripheral Maritime Regions (CPMR)<sup>74</sup> and Spatial Foresight<sup>75</sup> focus on the options for the future of the Policy. Both see the possibility that Cohesion Policy will decline, with diminishing funding, less relevance as priority is given to sector policies, more limited spatial coverage, and a declining role for regional and local authorities in favour of more central management. Indeed, CPMR sees a possible scenario as 'the end of Cohesion Policy as we know it'.

Under the more positive options for the Policy set out in the two papers, the authors identify possibilities for:

- a shift in focus from effectiveness and compliance and resilience;<sup>76</sup>
- a single legal framework, more harmonised rules and a single territorial fund;<sup>77</sup>

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<sup>71</sup> Cappellano *et al* (2023) *op. cit.*

<sup>72</sup> Molica F (2023) [Converging trajectories? Reassessing EU Cohesion Policy in times of new industrial policy](#), JRC Working Papers on Territorial Modelling and Analysis No 09/2023, Joint Research Centre, European Commission.

<sup>73</sup> Hunter (2023) *op. cit.*

<sup>74</sup> Molica F and Fontàs E L (2023) [Back to the future: 5 scenarios for post-27 cohesion policy](#), Reflection Paper, Conference of Peripheral Maritime Regions

<sup>75</sup> Böhme K, Toptsidou M, Valenza A, Amichetti C and Münch A (2022) [Cohesion Policy Scenarios](#), Spatial Foresight.

<sup>76</sup> Böhme *et al* (2023) *op. cit.*

<sup>77</sup> Molica F and Fontàs (2023) *op. cit.*



- a focus on EU goals but flexibility in objectives and priorities based on territorial needs;<sup>78</sup>
- local and regional authorities playing a key role, focusing on place-based needs, vulnerabilities and management;<sup>79</sup> and
- payment by results.<sup>80</sup>

## Box 2: EPC recommendations for Cohesion Policy reform

- 1. Acknowledge the need to review the Cohesion Policy's purpose**
  - confront the reality of an eroding Cohesion Policy purpose
  - respond to the EU's convergence stagnation challenge
  - review the Policy's future role in addressing new challenges for the EU
- 2. Revitalise Cohesion Policy's long-term value by defending its pillars**
  - upgrade Cohesion's 3 'pillars' towards EU economic, social and territorial security
  - champion the Policy's investment orientation, addressing illusions of a future (default) remit focused on crisis response
  - articulate the risk of "taking Cohesion Policy hostage" in the EU's future 'gameplan' vacuum
- 3. Position Cohesion Policy as the 'guardian' of EU place-based policymaking**
  - Cohesion Policy should lead the EU's place-based policymaking efforts
  - Territorial Impact Assessments should be embedded in the post-2027 Cohesion Policy's toolkit
  - the uptake of Territorial Impact Assessments should be synonymous with delivering a 'just transition' across all EU territories
- 4. Articulate Cohesion Policy's role in the evolving EU governance and reform agenda**
  - the EU's multi-level governance system requires upgrading
  - re-energise Cohesion Policy's reform orientation, clarifying its relationship with the European Semester
  - sustain momentum for EU reforms through targeted support in the post-2027 Cohesion Policy
- 5. Improve Cohesion Policy's convening power to catalyse deeper EU innovation cooperation**
  - position the post-2027 Cohesion Policy as a cornerstone of the EU's innovation collaboration agenda
  - Cohesion Policy should coordinate the bottom-up efforts of EU innovation ecosystems and their value chain orientation
  - Cohesion Policy innovation collaboration conditionality should drive EU 'open innovation' and strategic autonomy

Source: Hunter (2023).

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<sup>78</sup> *Ibid.*

<sup>79</sup> Böhme *et al* (2023) *op. cit.*

<sup>80</sup> Molica F and Fontàs (2023) *op. cit.*



A further Spatial Foresight paper looks beyond reforms to the policy to posit a scenario without an EU Cohesion Policy (or EAFRD), instead cohesion being a 'value rather than a policy'.<sup>81</sup> Under this scenario, the cohesion objective might be embodied in all EU policies with (for example) more favourable State aid regulations for lagging regions, territorially differentiated taxation and spatially targeted industrial policies.

## 5.2 Member State perspectives

Over the past year, the future of the policy was discussed at an Informal Meeting of Cohesion Policy Ministers held under the CZ PRES in September 2022 which focused on Cohesion Policy as a 'strategic tool' for regional development, including the impact on the regions, the relationship between Cohesion Policy and the RRF (and other new tools), and the role of Cohesion Policy in dealing with the impacts of unforeseeable events. The key points to emerge from the meeting were fourfold.

- Cohesion Policy should not become an anti-crisis tool but focus on long-term structural change and development. It should maintain its essential principles – multi-level governance, partnership, place-based focus – and the values of solidarity.
- More substantial and systemic simplification of Cohesion Policy implementation is necessary, starting with speedier negotiation and adoption of programmes. There is potential to learn from the approach of the RRF, but it will be important to have evidence on the effectiveness and efficiency of the RRF.
- There are too many instruments with overlapping objectives; there is need to have fewer instruments and address crisis issues through existing instruments.
- There is scope for more coordinated governance of all instruments at EU level.

This debate fed into the General Affairs Council (Cohesion) in November 2022, introduced by the CZ PRES with an assessment of the effectiveness of Cohesion Policy in the 2014-20 period. The background paper for the Council noted both the centrality of cohesion for EU integration and the importance of cohesion being addressed through both cohesion and sectoral policies at national and EU levels:<sup>82</sup>

*“the EU faces a number of challenges stemming from demographic and technological changes as well as from the digital and green transitions that will come to the fore. These will likely lead to new disparities, which in turn could undermine the sustainability and the robustness of the EU's development model.*

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<sup>81</sup> Toptsidou M and Böhme K (2023) [Cohesion as a value rather than a policy: A scenario](#), Spatial Foresight.

<sup>82</sup> CEU (2022) [Long-term impacts of cohesion policy on EU regions – Exchange of views](#), Note from the Presidency to Permanent Representatives Committee/Council, Brussels, 10.11.22, 14479/22 COH106.





*The policy alone cannot ensure that no territory and no person are left behind, but can certainly strongly contribute to economic, social and territorial cohesion including through ensuring spatial and territorial considerations for national and sectorial policies. The design and implementation of Cohesion Policy should be able to rest on a robust and effective policy mix of national and EU policies and instruments.”*

The GAC Conclusions reiterated some of the above concerns<sup>83</sup> – notably that Cohesion Policy is not a crisis instrument, the risks of a multiplication of funding instruments, and the importance of synergies between any new instruments and Cohesion Policy. It also noted the importance of a place-based policy approach in recommendations under the European Semester process. For Cohesion Policy post-2027, the Conclusions underlined the importance of cohesion as a principle and stressed the need to continue strengthening cohesion “based on strong multi-level governance” and that it is “a policy for all regions”. The Council also called on the Commission to explore opportunities “presented by the performance-based approach”, further simplification of rules, harmonisation of “implementation rules among various EU programmes that contribute to similar objectives”, and to explore an “adequate response” to regions in a development trap. Notably, there was only a weak commitment for cohesion to be embedded in the objectives of other policies: the conclusions only ‘invited’ EU and national authorities “to bear in mind not harming cohesion in preparing investment instruments”.

There was no Informal Meeting of Cohesion Policy Ministers under the SE PRES, but an Informal Meeting took place in Murcia under the ES PRES on 29 September 2023, to be followed by a General Affairs Council (Cohesion) on 30 November 2023. Discussion at the Murcia meeting was based on a non-paper which set out some priorities for a ‘new Cohesion Objective 2.0’.<sup>84</sup>

- Balanced and harmonious regional growth as an ultimate objective of Cohesion Policy. In addressing this goal, the paper suggests exploring a redefinition of the three categories of regional eligibility and possibly some additional categories and/or eligibility indicators.
- Consistency and coherence of regional and state-level objectives, highlighting the importance of aligning the regional approach under Cohesion Policy with a more “aggregated country-level approach”. In this regard, the paper advocates allowing

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<sup>83</sup> CEU (2022) *Conclusions on cohesion policy – Approval*, Note from the General Secretariat of the Council to Permanent Representatives Committee/Council, Brussels, 10.11.22, 14481/22 COH107. CEU (2022) *Cohesion policy: Council approves conclusions taking stock of implementation and outlining the way forward*, Press Release, 22.11.22

<sup>84</sup> *Non-Paper on the Future of Cohesion Policy*, Ministerio de Hacienda y Función Pública, Madrid, September 2023.



certain, nationally important “reforms or strategic investments...without the need to establish a prior territorialization of resources”.

- The importance of territorial cooperation – retaining the emphasis in the budget and regulations after 2027.

Discussions among Member States have also continued in other formats. In May 2023, an Informal Meeting organised by the Slovak Government (as President of the Visegrad Group) for ministers from eight Central and Eastern European countries<sup>85</sup> provided an opportunity for debate. This was based on a background paper proposing two ‘adaptations’ to Cohesion Policy: an “EU framework for leaving no region and no person behind in the ongoing transitions”; and “more consistency and cohesion-aware EU actions” in other EU policies.<sup>86</sup> Specifically, the paper proposed the creation an ‘EU regional transition readiness scoreboard’ utilising existing regional data and indicators (see Table 4) as a basis for policy design and programming. Presented as a way of strengthening the place-based approach of the policy, it was seen as a more flexible method of determining the thematic concentration of EU funding in each region, developing appropriate strategies and establishing regional networks among similar regions to facilitate knowledge transfer.

**Table 4: Slovak Government proposal for an EU regional transition readiness scoreboard**

Potential indices	Possible sources	Measurement
Digital transformation	Regional Competitiveness Index Digital Economy & Society Index	Productivity & innovation capacity Quality of education Labour market & state of digitalisation
Green transformation	Social Progress Index Environmental Performance Index	Environmental quality indicators Quality of life metrics Social and equity indicators
Demographic decline	Demographic Dependency Ratio Old-Age Dependency Ratio	Vulnerability of regions

Source: adapted from *Discussion Paper for the Informal Meeting of Ministers Responsible for Cohesion Policy, Bratislava, 30 May 2023*

A subsequent Slovak Ministerial summary of the meeting<sup>87</sup> restated the need for thematic concentration requirements to be “in balance with the place-based narrative”. It also stressed the need to strengthen administrative capacities using different instruments and recommended retention of “a specific programming stream...for national investments covering the whole area of Member States related to national sectoral reforms.”

<sup>85</sup> Bulgaria, Croatia, Czechia, Hungary, Poland, Romania, Slovakia and Slovenia.

<sup>86</sup> Ministry of Investment, Regional Development and Informatization of the Slovak Republic (2023) *Discussion Paper for the Informal Meeting of Ministers Responsible for Cohesion Policy*, Bratislava, 30 May 2023

<sup>87</sup> *Minister Balík: We support maintaining a strong Cohesion policy*, Ministry of Investment, Regional Development and Informatization of the Slovak Republic, Bratislava, 2.6.23





Czechia has the V4 Presidency in the latter half of 2023 and will be continuing the debate in this format, but also involving some other Member States (see Box 3).

### **Box 3: Programme of the Czech Presidency of the Visegrad Group 2023/24: Cohesion<sup>88</sup>**

In the area of Cohesion Policy, the Czech Presidency will focus on its future direction. Early experience with the implementation of new rules, especially those related to green transition, will be an important factor in the debate. Attention will be paid to access to EU funds evaluation, promotion of EU funds in regions, and new trends in online communication. In the area of regional development and spatial dimension, the priority will be to explore options for supporting structurally disadvantaged and economically and socially weak regions with a focus on territorially targeted tools and their harmonization with local regional policies.

Source: Czechia V4 Presidency Programme, 2023

A further debate was organised by the Polish Government in September 2023. Launching the first external discussion by the Expert Group on the Future of Cohesion Policy, its starting points are the loss of interest among EU decision-makers in addressing socio-economic disparities and the role and identity of Cohesion Policy. It called for “renewed thinking on the role and implementation of territorial development policy seems essential to restore both the attractiveness of the European integration process and further socio-economic transformation” and set out a range of questions that need to be addressed.<sup>89</sup>

EoRPA fieldwork among Member States has provided further insights into the current state of play at national level. Deliberations within Member States are still in their early stages. In many cases, national administrations consider that it is too early to begin substantive development of policy options and consultations given that the current programmes have only recently been launched and experience of implementation is still lacking, and the *ex post* evaluations of the 2014-20 period are still underway. There is also uncertainty of how the European Parliament elections and new European Commission will affect the development of policy proposals.

In many cases, countries are in a reactive mode, participating in Council discussions, though some are systematically gathering evaluation evidence (e.g. CZ, DE, EL, IT, NL), setting up structures for consultation and option assessment (e.g. CZ, EL, PL, NL), and reviewing the capacity for budget modelling. This applies particularly to larger countries in southern and eastern Europe with substantial Cohesion Policy receipts or which will have the Presidency during the key 2025-27 period of negotiations (e.g. PL, DK).

For example, in Poland, the Ministry of Development Funds and Regional Policy has established the above-noted expert working group that includes representatives from different ministries,

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<sup>88</sup> *Programme of the Czech Presidency of the Visegrad Group 2023/24: Cohesion*

<sup>89</sup> MDFRP (2023) *Expert seminar „Future of the EU cohesion policy after 2027”*, Ministry of Development Funds and Regional Policy, Warsaw, 18 September 2023 (mimeo).





managing authorities at national and regional level and academics. A series of seminars and meetings on challenges and trends in regional policy and the future of the EU Cohesion Policy is also underway. Similarly, in Greece an expert group has been formed in order to provide input on the national positions and views on post-2027 Cohesion Policy. The 15-member Committee will provide a contribution to the EU policy debate on two issues: 'European Vision, Cohesion Policy and Just Growth: challenges and resilience of regions today'; and 'Innovative place-centred policies for European Integration'.

Issues so far highlighted in fieldwork discussions with national authorities reflect the issues raised at informal ministerial meetings, notably:

- the balance between long-term structural change and crisis management;
- the importance of a continued Cohesion Policy for all regions;
- the need for the policy to focus on the major transformation issues – innovation/digital, climate, demography, labour market skills, rural and border regions;
- greater synergies and coherence between different EU funding instruments;
- lessons from NRRP experience that might be adopted e.g. linking payments to milestones and results and moving away from the focus on absorption and cost-based reporting;
- concern about dilution of the multi-level governance model of Cohesion Policy (more centralisation);
- the implications of a greater focus on 'development trap' regions (especially potential loss of support for less-developed regions); and
- more simplification, especially for beneficiaries, building on evidence from the effectiveness of simplification measures introduced for the 2021-27 period.

In some countries, regional groupings have also started to develop perspectives on the reform. In Germany, the *Land*-level Europe Ministers have initiated a reform debate with a view to finalising a position paper for the *Bundesrat* (Upper House of the German Parliament) by December 2023. Drawing on a series of evaluations (on Cohesion Policy effectiveness and governance) commissioned by both the federal finance and economics ministries to inform federal positions, an overall German position paper is expected to be finalised by end 2024. In Poland, the regions (via the Union of voivodeships) have set out a 'first position' which addresses three sets of issues relating to the role, focus and governance of Cohesion Policy.<sup>90</sup> The position paper reaffirms support for the key principles of the policy but has some innovative recommendations for the role and governance of the policy (see Box 4).

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<sup>90</sup> *The Position of the Management Board of the Union of Voivodeships of the Republic of Poland of 28 June 2023 on the EU Cohesion Policy post-2027*



#### Box 4: Selected recommendations from the Position Paper of the Polish Regions

##### Role of Cohesion Policy

- have a budget maintaining at least the current share in the structure of the MFF
- operate with a single fund (European Territorial Cohesion Fund) to be targeted at all EU regions (NUTS 2)
- take account of other measures besides GDP per capita (e.g. household disposable income)...when determining the scale and rules of support

##### Governance of Cohesion Policy

- defining and 'contracting' outcomes rather than accounting for expenditure
- application of analogous rules as in other policies under shared management and no discrimination with centrally managed programmes (e.g. State aid)
- a departure from the n+3 rule when using territorial instruments
- moving away from the supremacy of the competitive formula in the distribution of funds to bottom-up prepared and regionally agreed (negotiated) project bundles
- opening up the possibility of pilot/experimental projects with an acceptable risk of failure

Source: Position Paper of the Polish voidvodeships, 28.6.23

## 5.3 EU institutional perspectives

### 5.3.1 European Commission

As discussed in the 2022 EoRPA Report,<sup>91</sup> the European Commission used the 8<sup>th</sup> Cohesion Report in February 2022 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 was set out under three headings addressing: new drivers of disparities; strengthening the role of regions; and developing tools for the future (Box 5).

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<sup>91</sup> 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, European Policies Research Centre, Glasgow and Delft.



## Box 5: 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: COM (2022) 8<sup>th</sup> Cohesion Report.

The current expectation is that the 9<sup>th</sup> Cohesion Report will be published in March/April 2024 updating the analyses of regional development challenges but without substantive proposals given the imminent European Parliament elections and new Commission.

In the interim, the Commission has established a High-Level Group on the Future of Cohesion Policy.<sup>92</sup> Launched at the start of 2023, the Group has the remit “to provide the Commission with advice and knowledge on maximising the impact of cohesion policy in terms of reducing economic, social and territorial disparities and contributing to a European Growth Model for regions built on a fair digital and green transition in a context of regional recovery and growth” (Box 6). Academic specialists and European institutions and interest groups have been invited to make presentations.

In its first seven meetings up to October 2023, the Group has considered questions related to the contribution of Cohesion Policy to the European Growth Model, how to enhance regional resilience, whether the Policy needs to be more differentiated, the place-based approach, the effectiveness of territorial cooperation, the relationship of the Policy with the European Semester and synergies with other EU policies, and the use of conditionalities. Further questions

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<sup>92</sup> European Commission website on [The Future of Cohesion Policy](#) (accessed 25.10.23),





to be considered during 2023 relate to the delivery mechanisms, and the Policy's capacity to respond to sudden shocks and crises. The Group is expected to publish its independent report in February 2024.

#### **Box 6: Main questions for the High-Level Group: January-September 2023**

##### **Issue paper 1 Cohesion Policy and the European Growth Model – Should Cohesion Policy:**

- put more focus on types of territories, potentially below NUTS2 level?
- cover all or only lagging behind Member States and regions?
- differentiate more in financial support budget management, objectives and investment?
- follow the same approach everywhere or be more differentiated?
- focus more on the needs and opportunities of certain types of individual or societal groups?

##### **Issue paper 2 – Enhancing resilience of regions to emerging challenges – How can the Policy:**

- maximise its potential for realising structural change and the opportunities of the transitions?
- ensure that such transitions are fair for people and balanced for all regions?
- help supporting/promoting enabling measures at regional and sub-regional levels?

##### **Issue Paper 3 – Addressing different development needs of regions – Should the Policy:**

- be further differentiated with regard to specific needs of regions, territories and persons?
- better address the varied development needs of different types of territories?
- strike a better balance between common EU objectives and a place-based approach?

##### **Issue Paper 4 – the role of place-based policies and strategies – How can the Policy:**

- reconcile enhanced place-based/place-sensitive approaches with EU policy priorities?
- apply place-based elements and instruments for the green and digital transitions?
- improve the effectiveness of territorial strategies, multi-level governance, partnerships?

##### **Issue Paper 5 – Reinforcing territorial cooperation – Does the Policy need:**

- new forms of territorial cooperation, or new tools to facilitate such cooperation?
- more effective complementarities and synergies between cooperation programmes?
- to use INTERREG for better integration with EU neighbours?
- more diversified cooperation programmes for the variety of border situations?

##### **Issue Paper 6 - European Semester and synergies with other policies – Should the Policy:**

- have reinforced integration into EU economic governance instruments be reinforced? How?
- be more strongly linked with regional growth-enhancing reforms and reforms implementation?
- better integrate place-sensitive policies into the broader economic governance framework?
- streamline the funding tools available and ensure better synergies with other EU instruments?

##### **Issue Paper 7 – Improving effectiveness through conditionalities – Should mechanisms:**

- be more tailored and differentiated?
- be regionalised, taking account of territorial-specific features?
- promote territorial subnational reforms, differentiated by Member State/region?
- be replaced by a performance-based delivery mode?

Source: High-Level Group on the Future of Cohesion Policy



### 5.3.2 European Parliament

As yet, the European Parliament has not substantially debated or developed positions on the next MFF or the reform of Cohesion Policy since the Opinion of the REGI Committee on the 8th Cohesion Report, agreed as a resolution by the Parliament in September 2022.<sup>93</sup> The resolution supported many of the key Commission 'policy responses to the post-2027 debate' and called for increased post-2027 funding and retention of the main role of the policy in supporting long-term investment. It also recommended addressing the problem of development traps in middle-income regions and the development of an 'ambitious reindustrialisation policy' for EU regions. The resolution called for the reintegration of rural development as part of Cohesion Policy and for GDP to be complemented with new criteria (e.g. social, environmental, demographic) as an indicator of development. The proposal of the REGI Committee rapporteur to reduce the categories of region to two, abolishing the category of Transition Regions, was not accepted.

Over the past year, the BUDG Committee has commissioned studies and discussed issues such as the challenges of the war in Ukraine for the EU budget and the financial cost of reconstruction, the cost of borrowing for non-repayable support, and the use of performance budgeting in EU policy spending. The REGI Committee has similarly been laying the groundwork for considering the reform on issues such as the relationship between Cohesion Policy and the RRF, the role of the policy in facilitating structural change and just transition in different types of regions (coal, automotive etc), simplification for managing authorities and beneficiaries. Specifically on automotive regions, a recent own-initiative report was approved by the REGI Committee proposing that the 'new cohesion policy' should move from income-related criteria to focus on regions' characteristics, and EU structural funds should be reshaped to support regions affected by automotive, green and digital transitions.<sup>94</sup>

REGI members have also been following the debate in structured dialogues with Commissioner Ferreira and taking part in fora on the future of the policy. The REGI chair has previously said that:<sup>95</sup>

*“Cohesion Policy is a cornerstone policy of the European Union, it brings Europe together. The new generation of funds is meant to help regions to achieve the green and digital transition, and to reduce development gaps in the EU. For the future, we want to strengthen this policy to face the major challenges: energy and industrial sovereignty, adaptation to climate change, demographic crisis. “*

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<sup>93</sup> EP (2022) [European Parliament resolution of 15 September 2022 on economic, social and territorial cohesion in the EU: the 8th Cohesion Report](#), European Parliament, P9\_TA(2022)0326

<sup>94</sup> [Cohesion: need for a targeted support of automotive-dependent regions](#), Press Release, European Parliament, 24.10.23

<sup>95</sup> [Only a strong Cohesion Policy can ensure a united and fairer future to the EU](#), Press Release, European Committee of the Regions, 16.3.2023





### 5.3.3 European Committee of the Regions

The European Committee of the Regions (CoR) has drafted an own-initiative Opinion on the future of Cohesion Policy post-2027.<sup>96</sup> In recent months, representatives of local and regional authorities and other stakeholders have taken part in consultations and submission of views. The draft Opinion was adopted at the meeting of the Commission for Territorial Cohesion Policy and EU Budget (COTER) on 26 September 2023 and is expected to be agreed at the CoR Plenary on 29-30 November 2023. In doing so, the CoR intends to be the first EU institution to adopt an official position on Cohesion Policy post-2027.

The draft Opinion covers remarkably detailed positions on: European economic governance and reforms; the legal architecture and budgetary aspects; governance, delivery and territorial issues; programming, flexibility and simplification; and territorial cooperation and innovation-driven territorial transformation. The principles of the Opinion stress the need for an all-region Cohesion Policy, operated through shared management with respect for subsidiarity, further streamlining of implementation at all levels, the application of the 'do no harm to cohesion' principle under centrally-managed programmes, and maintaining the policy's budget at least at the same level (in real terms) as for 2021-27.

More broadly, the CoR have advocated a revision of the MFF. Arguing that the current financial framework is inadequate, a CoR Opinion in May 2023 recommends additional resources to "address regions' and cities' emerging needs and promote economic, social and territorial cohesion".<sup>97</sup> The CoR underlines the importance of Cohesion Policy resources being focused on long-term investment and should not be used to respond to successive crises. Specifically, the CoR is looking for the MFF to support investment at local and regional level, set up a crisis response reserve and provide financial resources for the just transition, including for automotive regions.

In parallel, the CoR Cohesion Alliance have been running a consultation on the future of the Cohesion Policy. This follows a declaration made by the Alliance in October 2022,<sup>98</sup> which affirmed their "commitment to reinforce cohesion policy and increase the territorial impact of all EU investments in order to make them fit for Europe's long-term challenges". The declaration restated support for the key principles of Cohesion Policy – all-region, place-based, long-term – implemented through shared management and the involvement of regional and local authorities. With respect to the future, it highlighted several priorities for improving the

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<sup>96</sup> COR (2023) [The future of Cohesion Policy post-2027](#), Draft Opinion, Commission for Territorial Cohesion Policy and EU Budget, COTER VII/030.

<sup>97</sup> CoR (2023) [EU long-term budget must be improved to tackle current and future challenges and promote cohesion](#), Press Release, Committee of the Regions, 25 May 2023.

<sup>98</sup> [Declaration "The debate on the Future of Cohesion Policy starts now!" A joint call from the #CohesionAlliance](#), October 2022.



governance and implementation of the policy, and its coherence with other EU funding (see Box 7).

### **Box 7: Cohesion Alliance priorities for Cohesion Policy**

- Overcoming the fragmentation of Cohesion Policy funds, by working towards a stronger common framework and synergies of funds under shared management.
- Improving the effective delivery of Cohesion policy, by ensuring that all relevant EU policies contribute to achieve the objectives and principles of cohesion.
- Efficient implementation of the 2021-2027 Cohesion Policy, notably by reinforcing European and national support for capacity building of regional and local authorities.
- Further simplifying Cohesion policy to reduce the complexity of the management, audit and control rules for managing authorities and beneficiaries.
- Ensure a better alignment between cohesion policy and the European economic governance based on a constructive rather than a punitive approach.
- Improving the result orientation of cohesion policy and exploring in the future a more extended use of performance-budgeting financing.
- Better communicating the impact and success of Cohesion Policy at local and regional level.
- Stronger aligning the future of Cohesion Policy with current and future trends in regions and cities in terms of spatial planning and including the need of strategic foresight.
- Strengthening the central role of Cohesion policy within an overall long-term strategy for the EU.

*Source: Declaration of the Cohesion Alliance, October 2022*





## 6 DISCUSSION: NAVIGATING STORMY WATERS

### 6.1 'Here be dragons'<sup>99</sup>

Cohesion Policy is on an uncertain course with a future outlook that is far from clear. As the 2014-20 programmes are being closed, including allocating the crisis-response (REACT-EU) funding by the 2023 deadline, Member States face the challenge of rolling out the 2021-27 programmes and new instruments in a dynamic socio-economic and policy context with competition from NRRPs. The current unavailability of comparative project selection data for 2021-27 impedes a comparative assessment of implementation progress. However, expected delays in numerous countries raise concerns about the reliability of performance frameworks, casting doubt on their ability to meet the 2024 targets and the relevance of upcoming evaluations.

Looking towards 2027 and beyond, the EU needs to accelerate the green transition to meet net zero targets, but there is growing political concern about the impacts on sectors, social groups and regions. There is increasing apprehension about global competition in new technologies, and the implications of artificial intelligence for EU industrial competitiveness and employment, requiring intensification of investment in innovation, the digital transition, and skills. Further pressures on the EU budget come from the requirement to spend more on other policies such as defence, migration and development aid – but there is little agreement on the resourcing needed to finance new objectives and wariness about increasing borrowing to take on more debt.

In previous reforms, the challenges for Cohesion Policy were related to how the policy could contribute to EU growth (and specifically its relationship with the European Semester process), as well as performance issues – improving the visibility of results, reducing errors, and simplifying procedures. The new factor influencing the post-2027 reform is the RRF: an innovative 'cohesion' instrument with substantial investment power, high political profile, and a different implementation model. The relative efficiency and effectiveness of the RRF has yet to be demonstrated but it presents three immediate challenges for Cohesion Policy.

- **Funding.** If the EU decides to continue with a national investment instrument based on the RRF approach, some Member States may well prefer that their 'cohesion funding' from the EU budget comes via national investment programmes, especially if the share of Cohesion Policy in the EU budget is cut further. This applies particularly to more developed countries where there have already been questions about the cost-benefit

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<sup>99</sup> [https://en.wikipedia.org/wiki/Here\\_be\\_dragons](https://en.wikipedia.org/wiki/Here_be_dragons)





of Cohesion Policy i.e. whether the funding justifies the complex administrative requirements.

- **Budgeting.** The performance-budgeting approach of the RRF presents a seemingly attractive and simpler contrast to the expenditure-based system of Cohesion Policy implementation. As a Commission commentator noted recently:<sup>100</sup>

*“there is broad agreement that the existing model of shared management has reached its limits in terms of simplification without undermining the capacity of the Commission to fulfil its supervisory role and ensure that the budget is correctly spent. The way forward is likely to be a greater shift toward performance-based funding systems, which are currently optional in the policy.”*

An important caveat is that there is limited evidence to date on how well and accurately the performance measures under the RRF (milestones, outcomes) are being achieved - or not. Also, the option of using performance-based implementation has not been taken up to any significant extent within the 2021-27 Cohesion Policy programmes.

- **Coherence.** The coherence of EU funding instruments has been a long-standing issue of concern. Until the current period, the challenge was mainly related to the coherence between Cohesion Policy and other economic development policy areas (RTD, SME, environment etc). In 2021-27, the existence of two parallel, cohesion-based instruments makes the issue more urgent but also difficult. The Commission has highlighted the scope and benefits of complementary actions between Cohesion Policy, RRF and other instruments. In practice, fragmentation across instruments, Funds and levels of governance remains a persistent challenge for the objective of cohesion. As noted above, there are already suggestions that there should be a single fund for territorial development.

## 6.2 Looking over the horizon – aspirations vs reality

The review of the emerging policy debate at EU and national level has identified a range of common issues of concern as well as priorities for reform (see Table 5). There is a widespread view that Cohesion Policy requires a restatement of its fundamental purpose – and potentially a need to be radical to meet the new context. For many commentators, cohesion should be a central value and objective of all EU policies to meet the challenge of long-term structural change in less-developed regions as well as other regions experiencing a ‘development trap’.

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<sup>100</sup> Berkowitz P (2023) ‘Cohesion Policy’, in S B H Faure and C Lequesne (Eds) *The Elgar Companion to the European Union*, Edward Elgar, Cheltenham, pp.258-270.





In this task, a specific focus should be the mitigation of disparities arising from the green and digital transitions to ensure that all places and communities can benefit.

The scope of support for cohesion is broadening – including issues like public services and institution building – but the resources need to be commensurate to the objectives and outcomes. Many argue that instruments need to be rationalised: the Commission needs to kick the habit of creating a new fund every time there is a problem. And the Commission needs crisis-response tools - Cohesion Policy cannot be asked to divert funding and administrative resources to short-term problems if its long-term mission is to be successful.

**Table 5: Dichotomies facing the reform of Cohesion Policy**

	<b>Aspiration</b>	<b>Reality</b>	<b>Risks</b>
<b>Political goals</b>	Cohesion as a central value and objective of all EU policies. Response to geography of discontent	Other goals more important for the EU – diminishing EU-level concern with CP	Policy perceived as being in decline
<b>Policy objectives</b>	Long-term structural change in disadvantaged regions. Addressing development traps. Mitigating disparities of green & digital transition	Prioritisation of contribution to EU growth over cohesion	Reduced effectiveness to meet cohesion objectives
<b>Policy priorities</b>	Broadening agenda of intervention – public services, quality of life, institution-building etc	Limited and declining resource base	Overambitious expectations of what CP can do. Losing critical mass
<b>Governance</b>	Territorial dimension under other EU policies. More coherence. Integrated packages of interventions  Subsidiarity – partnership with regional and local levels	Ability to coordinate across policy areas (and willingness to coordinate) is limited  EU conditionalities, MS centralisation, less responsiveness to local needs	Lack of coherence and synergies  Fragmentation of the MLG principle in practice
<b>Implementation</b>	Simplification of delivery for the whole implementation ecosystem esp. beneficiaries  Move towards performance-based budgeting	New instruments creating more complexity  Capacity to deliver	Frustration for MS and regions  New sources of implementation problems
<b>Effectiveness</b>	Policy that delivers visible results	Delayed start, absorption problems, errors. Disputed evaluation evidence.	Perception of a problem policy

Source: EPRC





A red line is safeguarding a place-based approach within Cohesion Policy and ideally widening recognition of the territorial dimension in other EU policies. Equally important is the multi-level governance model, involving regional and local authorities in the design and implementation of policy interventions but ensuring that capacity-building and governance reforms are intensified. There appears to be an acceptance – and indeed support from some – that performance-based budgeting needs to be seriously considered with a view to understanding its practical application and the implications of change across the huge ecosystem of Cohesion Policy. In doing so, the policy should not lose its hard-won focus on performance, effectiveness and accountability.

Set against these aspirations for change is a sobering reality. It is clear that, at the heart of the Commission, cohesion is not regarded as one of the EU's top priorities, with other goals being regarded as more important for the EU. The importance of cohesion has rarely been greater for the EU, but there is a real risk that the trajectory of declining resources will continue, exacerbating the mismatch between tasks and resources for Cohesion Policy. The Commission's dislike of the inflexibility and complexity of shared management has led to greater centralisation and prescription, which may continue to erode the role of subnational authorities and the responsiveness of Cohesion Policy to regional and local needs. Greater coherence may come at the price of rationalised top-down intervention.

### 6.3 Charting a course for reform

In a period of agenda-setting discussions, the routes to reform are all still open. Previous EoRPA reports, and papers reviewed here, have identified several scenarios, ranging from a significant upgrading of the role of cohesion in EU policymaking to the disappearance of Cohesion Policy in its current form.

Most scenarios include **a status quo option**, whereby Cohesion Policy continues with a sizeable share of the EU budget and a similar multi-level governance model. This does, however, look increasingly unlikely in a context where the EU is simultaneously looking to respond to different global challenges and to reshape its resource base, economic governance and membership.

Having committed major political capital to the RRF investment-plus-reforms model, it is likely that this model will be regarded as a key instrument for supporting the EU's growth strategy beyond 2027. In such a context, the **'part nationalisation' of cohesion funding** might continue, with resources divided between:

- national allocations to Member States via RRF-model national development plans (incorporating the Cohesion Fund, with eligibility extended to all Member States), managed by national governments and linked to further reforms through the European Semester process; and





- regional allocations (allocated on the basis of EU criteria) and implemented via Cohesion Policy regional development programmes involving regional and local authorities in implementation, focusing on disadvantaged regions and heavily oriented towards ameliorating the regional and local impacts of the green and digital transitions.

Going further in the same direction might be the **'full nationalisation' of cohesion'**, with Cohesion Policy funding subsumed into an RRF-based 'Cohesion, Investment and Reforms Policy' comprising:

- national allocations to Member States for implementation through national growth and investment plans focused on growth, innovation, skills and the green/digital transitions, and stronger links to the European Semester process; with
- explicit ring-fencing / minimum thresholds for an economic and social cohesion pillar, prioritisation of less-developed regions, and involvement of regional and local authorities in the implementation of the pillar, but discontinuing national or regional operational programmes; and possibly
- 'Community initiatives' created by the Commission for regions particularly affected by specific development challenges or crises.

The next year will be crucial, with a key question being whether there is a strong enough constituency for Cohesion Policy among Member States, regions and in the EU institutions capable of articulating the case for a powerful Cohesion Policy.





## 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 2022-23, EoRPA partners are as follows.

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