



**European Committee
of the Regions**

COTER-VII/030

19th commission meeting, 22-23 June 2023

WORKING DOCUMENT

Commission for Territorial Cohesion Policy and the EU Budget

The future of cohesion policy post-2027

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This document will be discussed at the meeting of the **Commission for Territorial Cohesion Policy and EU Budget** to be held from **8.30 a.m. to 12.30 p.m. on 23 June 2023.**

Reference document

N/A

✓ Introduction and background

Over several decades, EU cohesion policy has reduced territorial disparities, boosted economic growth and improved the quality of life. Cohesion policy is a modern and long-term policy and has an important leverage effect, generating an estimated 2.7 euro of additional GDP at the EU level for every euro spent. Its main goals are to reduce territorial, economic and social disparities between and within different regions of the EU, to promote sustainable development and to support job creation. It improves the quality of EU citizens' lives and supports the transition towards a climate-neutral, circular, green and digital economy, while ensuring a balanced internal market and making the EU more competitive on a global scale. Cohesion policy has also contributed to improving the quality and capacity of several administrations, facilitated the development of effective policies at local level and helped empower local governments. But challenges remain and policies must continuously adapt.

The 8th Cohesion Report, published in 2022, reveals a variety of trends in territorial cohesion within the EU – some trends are positive, but others are cause for concern. The majority of less developed regions are continuing to catch up, but many transition regions, and a number of less developed and more developed ones, especially in Southern Europe, are falling behind due to "development traps". The 8th Cohesion Report also refers to new drivers for disparities that could impact cohesion policy post-2027: demographic changes (aging population, lower number of active workers), deepening urban/rural divide, industrial transition as a response to climate change, increased digitalisation, etc.

Considering these new disparities, it is necessary to recognise that while cohesion policy is the most tangible expression of European solidarity, offering equal opportunities and a better quality of life to people in all EU regions should not be treated as a gift but as an indispensable pillar of a single market linking diverse countries and regions with uneven levels of development. The CoR has emphasised in various documents and opinions that even though the single market has been a successful "convergence machine" for the EU, the gains are not distributed equally and do not automatically trickle down to disadvantaged regions, including those with specific geographical challenges, and social groups. Hence, there is still a risk of increasing economic and social disconnection between the "engines" of EU growth and other regions.

This document includes a set of strategic topics for the reform of cohesion policy that will need to be addressed in time for the proposal for the 2028-2034 Multiannual Financial Framework, which is due in 2025. These topics include both general and more political challenges such as the values which will guide post-27 cohesion policy and various scenarios, including the "no cohesion" scenario, as well as technical scenarios such as the management of funds and link with the European Semester. For each strategic topic listed below, the document includes a set of questions which are to be used as starting points for discussions on 23 June 2023 at the COTER meeting in Sibiu.

1. Philosophy, vision and narrative underpinning cohesion policy and its future in the European Union

Cohesion is an overall objective and value of the European Union. The EU was founded on the principle of bringing Member States closer together and promoting economic, social and territorial cohesion among them. While there is broad consensus regarding the values and the philosophy underpinning

cohesion policy, there are practical considerations that will impact its future: the way the policy should cope with new types of disparities, the threat of future crises, the communication of its results to the EU citizens, etc.

- ✓ Cohesion is an overall objective and value of the European Union. How can this objective be better achieved by all EU policies and what does this mean for the debate on the future of Europe?
- ✓ What is the added value of cohesion policy? How can we better communicate the results of cohesion policy?
- ✓ How can the original goals of the policy be reconciled with the need to address an ever-expanding range of priorities?
- ✓ Should cohesion policy have a clear mission with quantifiable targets, similar to the Green Deal or the Sustainable Development Goals? Which indicators should be used to measure the impact of cohesion policy against those targets?
- ✓ How can the cost and risk of non-cohesion be properly taken into consideration? What would they mean for the future of the EU?

ProMIS contribution:

- Considering that cohesion policy must be better communicated to the citizens, how can we bring citizens closer to cohesion policy? How can we involve citizens closer to the co-programming activities of cohesion policies?
- Social impact indicators generated by cohesion policy should be studied and better defined in order to better quantify the impact on the territories and the people.

2. Coordination with other policies, risk of fragmentation and synergies

Cohesion policy is a critical policy area within the EU that works in tandem with other policies to promote economic and social cohesion across the region. Horizontal and vertical policy coherence is also needed to make the most of cohesion policy's influence on carbon neutrality transitions. Horizontally, this means improved search for synergies or complementarities between cohesion policy and other EU policies and funding instruments in the field of climate change, transport, rural development, energy and research and innovation among others.

In addition to the need for more coordination, there is a serious risk of fragmentation of funding which needs to be addressed in the post-2027 framework. Not only have the funds or instruments hailing from the EU structural and cohesion policy increased in number, but more worryingly, they are faced with growing fragmentation, being scattered under different legal and/or strategic frameworks. A related challenge concerns the synergies between cohesion policy and other EU instruments, which remain relatively limited.

- ✓ How can we avoid the fragmentation of cohesion policy and of its funding?
- ✓ What are the obstacles to ensuring more synergies and how could post-27 cohesion policy address them?
- ✓ Should the future policy operate under a joint legal and strategic framework encompassing all shared management funds?

ProMIS contribution:

- Is it possible to create a Project-Activity-Fund framework (a sort of comparison table) that serves as a tool for monitoring the programming strategy? Such a tool would systematise the intervention policies and could identify possible overlapped measures.

3. Flexibility; learning from other policies and programmes implemented by the EU; responding to crises

Cohesion policy is playing a key role as part of the EU's response to address the events of recent years (COVID-19, Ukraine). Such events demonstrate the need for a crisis response mechanism, building upon existing flexibility instruments, and fast-track funding to be factored into the next MFF from the outset. The creation of such instruments should not be detrimental to total cohesion allocations, but should prevent cohesion policy from being massively employed for crisis-mitigation, which is at odds with its core goals. Nonetheless, cohesion policy programmes should enjoy a degree of versatility to cope with unforeseen events and circumstances.

Making post-27 cohesion policy more flexible will require a range of measures to simplify funding rules, increase flexibility in thematic objectives, allow for a more agile revision of programmes, introduce more targeted support and foster collaboration and innovation. These measures could enable the policy to better address the diverse needs and circumstances of Member States and regions across the European Union.

- ✓ Should a higher degree of flexibility be allowed to enable reprogramming by managing authorities or to make future programmes more responsive to evolving territorial needs and unforeseen circumstances?
- ✓ What concrete steps should be taken towards simplification and in which areas?
- ✓ What can we learn from the set-up and implementation of other EU policies and instruments, in particular the Recovery and Resilience Facility (RRF) for the future implementation of cohesion policy?
- ✓ How can the MFF be made more flexible, through a fully-fledged crisis mechanism, to avoid cohesion policy coming under pressure in case of shocks?

ProMIS contribution:

- Bureaucratic simplification is a crucial point for the development of the cohesion policy; how could we harmonise selection and implementation procedures across all the different programs?
- COVID-19 showed us that the health sector has a great flexibility and can quickly adapt to change, almost in real time. Is it possible to take, as a best practice, what has been done in the health sector?

4. Delivery model and the link with European Union economic governance

The delivery model of cohesion policy aims to ensure that the EU funds are effectively used to promote economic, social and territorial cohesion and to support sustainable development across the EU. It is important, however, that it continues to be updated to be more efficient, performance-based and result-oriented. Lessons learned from previous policy programming periods are also important in order to draft the best delivery model post-2027.

The link between cohesion policy and European economic governance needs to be further clarified, all the more in light of the novel approach underpinning the RRF and the ongoing review of the Stability and Growth Pact. Two key areas for reflection are how to accomplish the transition from a punitive to a constructive approach and whether cohesion policy can be associated with and contribute to the reforms strand in a way that does not affect its principles and goals.

- ✓ What can we learn from the 2021-2027 delivery systems of cohesion policy programmes and other programmes under shared management for the future implementation of cohesion policy?
- ✓ What aspects, if any, of other EU spending programmes, such as the RRF, could inspire a revision of the cohesion policy delivery model?
- ✓ How should the link between cohesion policy and European Union economic governance evolve?

ProMIS contribution:

- the RRF has shown great attention to social-health issues, with an investment of about 20% of the fund. Moreover, social-health issues are under the responsibility of local governments, by definition, but increasingly they are proving to be interregional and EU-impacting. Is it possible to make the social-health issue more important within the Cohesion Policy?

5. Partnership, multi-level governance (MLG) and territorial cooperation

The principles of partnership and multi-level governance are central to cohesion policy as they aim to ensure that local and regional authorities are key actors in decision-making, and that relevant stakeholders such as economic and social partners, civil society organisations and private sector actors are involved. While there is consensus regarding their role, more needs to be done. The participation of local authorities in the functioning of the cohesion policy mechanisms is crucial and it is very important to continue to invest in strengthening the adoption and integration of these principles within all Member States, which would imply having direct incentives for Member States to go further in this direction.

- ✓ How can the principles of multi-level governance and partnership be strengthened in such a way to ensure a more prescriptive and consistent application across Member States?
- ✓ How can cohesion policy and other EU policies better support innovation-driven territorial transformation, for instance building upon the PRI approach?
- ✓ What should the place of the territorial cooperation objective of cohesion policy (cross-border, transnational and interregional) be in the future of cohesion policy? What are the main challenges facing territorial cooperation and how can they be addressed in post-27 cohesion policy?

ProMIS contribution:

- Multi-level governance and partnership are crucial for EU growth. What is often missing is the dialogue between the various levels - EU governance, governments, regions, local? There are examples of very successful public-private Networks that have facilitated dialogue between policy makers and local organisations. Can we facilitate the involvement of such Networks in the cohesion policy implementation?

- Cohesion policy after 2027 cannot consider social and health issues as marginal as in past and current programming period. Can we consider social health as a priority axis of the future cohesion policy?

6. The territorial dimension of cohesion policy: addressing the specific needs of all regions

There are economic and social challenges that arise from the transition towards a low-carbon economy, as well as the phase-out of fossil fuels. It is important that the transition is just and equitable for all, to build public support for climate action and ensure that no one and no territory is left behind in the transition towards a more sustainable future.

Cities worldwide are the growth engines of regional and national economies. However, while large and capital cities are mostly thriving, many small urban areas, and a share of medium-sized ones, face a risk of demographic shrinkage and of becoming left behind, losing out on Europe's green and digital transitions. There is also a growing divide between urban areas and their rural fringes, characterised by a lack of integrated approaches to development that would benefit both urban and rural communities. In addition, there are regions which are confronted with natural or demographic handicaps. Future cohesion policy should address the specific needs of these regions by adopting a targeted approach that considers the unique challenges faced by these regions.

- ✓ How can we reinforce the territorial dimension of cohesion policy in order to reduce the urban-rural divide?
- ✓ How can the urban/rural divide be closed and what does this mean for the future EU support for rural development? Should the EAFRD be restored under the ESIF funds regulation?
- ✓ How can cohesion policy be adapted to maximise its potential for realising structural change so that all regions are appropriately equipped to reap the benefits of the EU's green and digital transitions?
- ✓ How can the Just Transition Fund be better integrated within cohesion policy so that it complements the ERDF and the ESF in the most efficient way?
- ✓ How should the future cohesion policy better address the specific needs of regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions which have very low population density and islands, cross-border and mountain regions as well as outermost regions?

ProMIS contribution:

- The territorial dimension cannot disregard IPA countries which share economic but also social exchanges with many EU countries on a daily basis. How can we accelerate the alignment of these countries to EU standards in order to facilitate their formal entry?