Briefing

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Challenges for EU cohesion policy

Issues in the forthcoming post-2020 reform

SUMMARY

The departure of the United Kingdom from the EU will have a significant impact on the EU budget. The next Multiannual Financial Framework, to be presented in May 2018, could make fewer resources available for cohesion policy in the post-2020 period. At this critical juncture, the discussion amongst policy-makers on the future priorities of cohesion policy is now heating up. Among the topics widely debated are the need to make cohesion funds simpler and more flexible for beneficiaries to use, while also strengthening the contribution of cohesion policy to the EU's economic governance and increasing its added value. One point of the debate relates to the way cohesion policy addresses new or growing challenges such as migration, environment and digitalisation. Yet another includes finding the most efficient form of support for beneficiaries: should it be grants, financial instruments, or possibly a mix of all of these? Other specific matters raised relate to the urban dimension in cohesion policy and the impact that the policy can have upon growth, jobs and innovation in rural areas, regions lagging behind, as well as regions with special geographical characteristics. Last but not least, the relationship between cohesion policy and the European Fund for Strategic Investment is much debated.

The European Commission (EC) has published a number of white papers on the future of the EU that provide further ideas for reflection on the priorities of the Union. These reflections also have repercussions for cohesion policy. In addition, the 7th EC Report on Economic, Social and Territorial Cohesion also provides insights into the direction cohesion policy is likely to take.

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Introduction to cohesion policy

Article 174 of the Treaty on the Functioning of the European Union (TFEU) (introduced by the 2009 Lisbon Treaty) states that: 'in order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions'.

Cohesion policy covers funds such as the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund. Along with the European Agricultural Fund for Rural Development (EAFRD) and the European Maritime and Fisheries Fund (EMFF), they constitute the European Structural and Investment Funds (ESI funds). Funding for regional and cohesion policy in the 2014-2020 period amounts to €351.8 billion and constitutes 32.5 % of the EU budget. It provides support for all European regions. The current programming period ends in 2020 and discussions have already begun about the future of post-2020 cohesion policy. Some of the most prominent policy questions regarding the future of cohesion policy will be analysed below.

The post-2020 multiannual financial framework and possible impact of Brexit

As the Article 50 procedure has been triggered by the United Kingdom, the budgetary relations between the EU and the UK will need to be settled. The various scenarios evoked range from an exit bill covering outstanding liabilities under the common budget with no further participation in EU activities, to continued participation in a number of activities and associated contributions. Various academic studies provide accounts of the issues raised with the departure of the UK, and sketch out different budgetary scenarios for such a departure.[1] Depending on the final scenario, some outcomes from the Brexit process would have a serious impact on the EU budget, whereas others would have a more manageable one. In addition, the 7th Report on economic, social and territorial cohesion (from now on: 7th Cohesion Report) suggests that the levels of national co-financing for cohesion policy could be increased. A 2018 Commission communication on the future MFF provides different scenarios for cohesion policy depending on the state of coverage of EU regions. The first scenario envisages coverage of all EU regions. The second focuses on the more developed and transition regions, which would amount to a reduction of approximately €95 billion over the period, accounting for more than a quarter of current allocations from those funds. Under this scenario, support for regions in Austria, Belgium, Denmark, Finland, mainland France, Germany, Ireland, the Netherlands, Sweden and many regions in Italy and Spain, would be discontinued. With the third scenario, support is limited even further to cohesion countries, and investment for less developed regions in France, Italy and Spain would also need to be discontinued. This would amount to a reduction of approximately €124 billion over the period, accounting for around 33 % of the current allocations.

Economic governance and structural reform

Since its inception, cohesion policy has been aimed at closing the gap between poor and rich European regions. However, it may be suggested that the focus of discourse on competitiveness – and the policy instruments that this brings – tends to favour already dynamic regions and metropolitan poles of growth.[2] In contrast, a discourse on cohesion may take into account various structural problems that regions face, such as high unemployment, social inequalities, geographical location-related handicaps (experienced for instance by mountainous and insular regions) and remoteness from major cities.

Although cohesion remains an important element in the regional policy of the EU, the 2014-2020 legislative framework has strengthened links with issues related to economic governance and cohesion policy has been linked more closely with the priorities of the European Semester. The European Semester determines the goals to be pursued in the upcoming year for the whole of the EU, and also delivers a set of country-specific recommendations that address key socio-economic challenges in each Member State. The reflection paper on the future of EU finances also claims that the link with economic governance and the European Semester may need to be strengthened even further.

A further linkage with the economic priorities of the EU is provided by Article 23 of the Common Provisions Regulation (CPR), which covers macroeconomic conditionality. It mentions that sanctions such as the suspension of cohesion funds can be used in order to reinforce compliance with excessive debt or budget inconsistencies by the Member States. Suspension of payments can be decided by the Council of the European Union on the basis of a proposal from the European Commission in the event that the Member State concerned fails to take effective action. For instance, in 2016, the Commission proposed to take measures against Spain and Portugal due to those countries' failure to address the excessive government deficit. However, no sanctions were levied and the proposal was shelved in November 2016. The issue of macroeconomic conditionality has proved to be a divisive one as it has brought to the fore tensions between net contributor and net recipient Member States. Poorer Member States suggest that it is essential that the EU does not lose sight of the original role and objectives of cohesion policy and its importance as an instrument for maintaining investment in Europe's regions, particularly in times of economic crisis and instability. The 7th Cohesion Report points out that, in general, the programmes financed through the ESI funds are very closely aligned with the country-specific recommendations made as part of the European Semester process. It states that the provisions linking these funds to sound economic governance, and to Member States responding to the recommendations, have given an incentive for national governments to comply with the budget targets. It also claims that the Commission review of Article 23 suggests that there is no need for any further legislation at this stage.

Nevertheless, structural reforms may also be read more widely as reforms in the governance of cohesion policy. For instance, when it comes to 'ownership', Member States could receive more powers in managing funds and projects. Other ideas on the table suggest adopting differentiation management for each EU country that would take into account its own needs and specificities. In this respect, questions regarding the subsidiarity of the ESI funds may emerge. In theory, local and regional actors have seen their role enhanced through the legislation on the partnership agreements. These agreements are negotiated between the Commission and the national authorities, following consultations with various levels of governance, representatives from interest groups, civil society and local and regional representatives. However, various Member States are still not keen to explore this instrument fully.

Flexibility: focus on new policy challenges

A number of new policy challenges such as immigration may weigh heavily on the future priorities of cohesion policy. The white paper on the future of Europe claims that digital revolution, globalisation, demographic change, social cohesion, economic convergence and climate change are to remain high on the EU agenda. However, a key question is whether any specific amounts will be clearly earmarked for all the above-mentioned challenges in the post-2020 cohesion policy. The 7th Cohesion Report states that an unallocated proportion of funding could make cohesion policy more flexible and able to respond to new challenges more quickly. As happens with any re-allocation of resources, the justification for their scope is not an easy task as it can only be achieved after reaching broad political consensus.

Promoting resilient economies in a globalised era through **digitalisation and innovation** is another EU priority. In 2015, the Commission presented the Digital Single Market strategy, which aims to open up digital opportunities for people and businesses. According to this strategy, regions and cities can explore various ICT initiatives and become active in planning and pursuing their own digital strategies. However, there are still considerable differences in digital performance amongst EU Member States and regions, with many eastern and southern regions scoring low on the EU's Digital Agenda Scoreboard, which measures connectivity, human capital, use of internet, integration of digital technology and digital public spaces. Related to digital innovation is also smart specialisation, which provides a path for innovation-driven differentiation and economic transformation, building on local assets and comparative strengths. However, although having in place a research and innovation strategy for smart specialisation (RIS3) has become a prerequisite for receiving ERDF funding, not all EU regions have managed to explore smart specialisation opportunities successfully. The EU Regional Innovation Scoreboard suggests that innovation excellence continues to remain concentrated in only a small number of regions.

Globalisation has various positive and negative aspects. On the positive side, economic opportunities may emerge. Exports may blossom, companies may find new global customers and trade may flourish, thus stimulating economic growth. However, globalisation may also have disadvantages which have to be addressed. For instance, various industries (e.g. the coal, steel, iron, shipbuilding, automotive and textile industries) have been affected by global competition and had to downsize their activities in Europe. Cheap imports of non-EU manufacturing goods have led to the decline of various sectors of EU industries, relocations, closures and redundancies. In addition, globalisation has an environmental, demographic, technological and cultural dimension. The impact of globalisation therefore affects the development of regional and local entities within the EU. In order to address all of these issues, the Commission has presented its reflection paper on harnessing globalisation, which attributes a key role to local and regional authorities. In terms of funding, the European Globalisation Adjustment Fund is the only one that is clearly destined to tackle the negative impact of globalisation directly, although the ESI funds may also contribute to creating resilient regions. Nevertheless, according to a study prepared for the European Parliament, the reconversion of old industrialised areas has slipped down the list of EU policy priorities. The same study also suggests that focus on regional investments has gradually shifted from industrial regions to other areas that may offer more stable growth prospects.

When it comes to **demographic challenges**, there is no specific EU fund that addresses issues of demographic importance. However, the EU's sparsely populated areas may benefit from a special status. Territorial areas that are affected by demographic issues will have to find ways of maintaining their populations and enhancing their opportunities in life. Childcare provisions are important in order to maintain the participation of women in the labour market. Teleworking, promoting work-life balance, and enhancing job opportunities for people with reduced mobility may also help to encourage sections of the population to remain professionally active. In addition, maintaining the younger more vibrant elements of their population may prove challenging unless they offer them new opportunities. In this respect, synergies with the private sector and the adoption of new technologies may help.

The **integration of migrants** in society may be another solution to the problem of demographic ageing and depopulation. Issues of immigration and depopulation may also be of importance to cross-border areas that could explore opportunities for cross-border cooperation with other neighbouring territories. While competencies regarding immigration lie primarily with the Member States, the EU can also support Member States, local authorities and civil society organisations in dealing with such issues. Various EU border and peripheral regions have been severely affected by immigration trends. Therefore, cohesion policy may be an important source of financial support for the effective integration of immigrants, as shown by the implementation of various schemes covering education, employment, housing and non-discrimination activities. The ESF and the ERDF can also provide support. Furthermore, financial support for emergency measures, such as setting up reception centres and mobile hospitals, or providing tents and containers, primarily falls under the scope of the Asylum, Migration and Integration Fund (AMIF) programmes. Coordination mechanisms between funding sources such as the AMIF, the Internal Security Fund (ISF) and the ESI funds can be established in order to reinforce synergies.

Social cohesion and **economic convergence** are very much interlinked with cohesion policy. The 2017 Commission reflection paper on the future of EU finances offers various scenarios for the post-2020 EU budget and refers to cohesion policy. It recognises that the current generation of programmes have incorporated important reforms. It claims that the overall economic, legal and institutional framework for investment has improved. It also recognises that the policy has established a close link between the investment co-financed and the broader economic governance agenda and structural reforms. Nevertheless, it claims that the resulting higher EU budget co-financing rates have reduced the overall investment effort. It also states that there is a need to review how cohesion policy can better prepare and react to unexpected developments, crises and societal changes.

When it comes to the **environment**, the reflection paper on harnessing globalisation emphasises the need: 'to further strengthen the European transition towards a digital, decarbonised and more circular European economy'. The global deterioration of the climate will also have an impact on the number of natural disasters that affect EU territories. Physical disasters management will be an area in which LRAs will be called to assume a more active role. In this respect, the Commission adopted an EU adaptation strategy in April 2013. Adaptation means anticipating the adverse effects of climate change and taking appropriate action to prevent or minimise the damage they can cause, or taking advantage of opportunities that may arise. The varying severity and nature of climate impacts between regions in Europe means that most adaptation initiatives will have to be taken at regional or local level.

Improving **waste management** could also deliver positive effects for the economy. As part of a shift towards a circular economy, the Commission has made four legislative proposals introducing new waste management targets regarding reuse, recycling and landfill, strengthening provisions on waste prevention and extended producer responsibility, and streamlining definitions, reporting obligations and calculation methods for targets. Quite a lot of this legislation will affect the way LRAs collect and process waste. Networks of cities and regions can work together in order to learn from each other and to exchange good positive examples. They can form common initiatives, for instance, in order to protect the environment.

Linked to the issue of the environment, the Energy Union strategy, which was launched in February 2015, set out the EU's main ambitions in the field of energy, involving a major shift towards renewable energy sources and sustainable energy use, among other things. Cohesion policy also plays a part in this scenario: over the 2014-2020 programming period, €38 billion will be available under the ERDF and the Cohesion Fund to support investment in the low-carbon economy. ERDF rules for the same period require mandatory minimum spending from Member States in this particular field. It remains to be seen whether more ambitious targets will be set in environmental protection through the use of the ESI funds.

The 7th Cohesion Report highlights the priorities set out in the reflection paper on EU finances, according to which EU funding needs to focus on areas where the highest EU added value can be achieved. Social inclusion, employment, skills, research and innovation, climate change energy and environmental transition are identified as areas that cohesion policy needs to invest in. Addressing migration and globalisation are also mentioned in these two documents.

Performance and simplification

As mentioned by Commissioner Creţu in various speeches, the future of cohesion policy will depend on providing convincing arguments regarding the added value of the policy and its results. Therefore, performance is a key element in order to convince sceptics, and to safeguard the financial resources that the policy has obtained thus far. However, opinions on what cohesion policy should deliver vary from one policy actor to another. Some Member States would like to see cohesion policy closely linked to issues of economic objectives whereas others tend to emphasise the cohesion aspects of the policy. Already, cohesion policy has quite an ambitious role as it aims at addressing the cohesion gap, to contribute to macroeconomic stability and even to address new policy challenges such as immigration. Nevertheless, multiple conflicting priorities may overburden it. In addition, when it comes to more tangible effects, it is not always easy to measure the impact of cohesion policy on certain domains. The Commission provided figures regarding the positive impact of cohesion policy in various fields regarding the 2007-2013 period. However, few results can yet be reported from the 2014-2020 period due to the usual delay in the start of the programmes in the first programming years. Nevertheless, the 7th Cohesion Report states that investment for the 2007-2013 period is estimated to have increased GDP in the EU-12 by nearly 3 % and by a similar amount for the (now EU-13) in the 2014- 2020 period. Various ideas such as focusing on the quality of implemented projects rather than on absorption of funds, and easing the administrative burden of the policy through simplification may enhance the performance of cohesion policy.

Simplification

Thematic concentration was an issue in the previous programming period (2007-2013) and led to the establishment of core thematic objectives that derived from the Europe 2020 strategy and linked to a set of headline targets. It may be the case that efforts to increase concentration in fewer thematic areas will persist in the post-2020 period. However, although thematic concentration may be seen as a way to increase the effectiveness of funds, it also leads to re-allocation of resources, which always requires careful planning.

Under the 2007-2013 programming period, separate sets of strategic guidelines co-existed for cohesion policy, rural development, and fisheries and maritime policy. Member States tried to simplify procedures by setting up the common strategic framework for the 2014-2020 period. The common strategic framework also represents the single European reference frame for better coordination between the European structural and investment funds and other EU instruments. However, receivers and managing authorities of EU funds tend to complain that handling them can be quite complicated as they are tied to burdensome bureaucratic requirements. EU funds are still bound to various EU and Member State rules, which occasionally makes their administration a cumbersome exercise.

In order to tackle these issues, in 2015 the Commission set up a high-level group with the main task of advising the Commission on how to simplify and reduce the administrative burden for the beneficiaries of the five ESI funds. The group made recommendations on improving the implementation of simplification measures for the post-2020 period. With the omnibus regulation, the Commission proposes to roll out a single act for making a revision of the general financial rules, accompanied by corresponding changes to the sectorial financial rules set out in different legislative acts concerning multiannual programmes. In simplifying and making EU financial rules more flexible, this proposal paves the way for the preparation of the next post-2020 generation of spending programmes.

Financial instruments and the European Fund for Strategic Investment

Regulations provide flexibility for Member States and managing authorities when designing programmes, both to choose between delivering investment through grants and financial instruments (FIs), and to select the most suitable financial instrument. Financial instruments provide support for investment by way of loans, guarantees, equity and other risk-bearing mechanisms, possibly combined with technical support, interest-rate subsidies or guarantee-fee subsidies within the same operation. The 7th Cohesion Report states that financial instruments are also important in the context of several strategies or certain specific types of investment, such as improving energy efficiency.

Although the Commission is highly supportive of using financial instruments, some academic sources are more reserved when it comes to the benefits they offer. For instance, an EPRC study points to the fact that these instruments can be burdensome and difficult for regional authorities to manage. According to the same study, these instruments are perceived as less useful in small projects and in certain areas (for instance, in sparsely populated areas). Furthermore, the potential of these instruments to leverage private-sector funding is also questioned. An EPRS briefing notes the various bureaucratic hurdles that need to be addressed so that FIs can be explored sufficiently by the Member States. In its reflection paper on the future of EU finances, the Commission suggests that financial instruments can play an important role in allowing the EU to 'do more with less'. It suggests that FIs are only appropriate for revenue-generating projects. It states that grants and subsidies will therefore continue to be needed for projects that do not generate revenues (e.g. basic research, certain types of infrastructure, investment in the social domain, or people-based investments such as Erasmus+ or Marie Sklodowska-Curie grants). It recognises that the number of EU-level instruments and the rules applying to them is an obstacle to their efficient use. The 7th Report on economic, social and territorial cohesion also points out that complementarity between financial instruments could be enhanced.

The EFSI-ESI fund relationship

Another related issue is the functioning of the European Fund for Strategic Investment (EFSI), which aims to mobilise €315 billion in additional investment in the real economy, and its relationship with the EU's regional policy. EFSI has been one of the main priorities of the Commission which proposed an extension of its duration until 31 December 2020. It provides funding based on a competitive selection procedure and does not have any pre-defined geographical allocations the way cohesion policy does. It is not a cohesion policy funding element, but rather, a Commission initiative for encouraging investment.

Certain issues stemming from EFSI may cause a conflictual and competitive relationship with the ESI funds. Although in theory there are synergies between the ESI funds and ESIF, a lot remains to be done in practice to achieve further interoperability and complementarity. So far, the combination of ESI funds with EFSI has been minimal, owing to the technicalities involved, undermining their complementarity. In addition, EFSI's geographical and thematic concentration may run counter to the scope of the ESI funds and to the aim of territorial cohesion. The various priorities that characterise EFSI operations may also contradict the EU's regional policy objectives, as implemented through the ESI funds. In addition, the prioritisation of EFSI, and its high profile on the EU agenda, may further undermine the prestige of EU regional policy.

The urban agenda for the EU, regions lagging behind and areas with special geographic characteristics

The urban agenda

Cities, towns and suburbs are home to more than 70 % of the EU's population, and constitute major hubs of economic growth. For this reason, at least 50 % of the ERDF resources for the 2014-2020 period will be invested in urban areas. Various policy innovations in this programming period also highlight the important role of urban areas for the EU. For instance, Article 7 of the ERDF Regulation provides that at least 5 % of ERDF resources allocated at national level under the investment for jobs and growth goal must be earmarked for integrated actions for sustainable urban development. Certain EU policy targets, such as the Europe 2020 ones for smart, green and inclusive growth, rely heavily on the involvement of urban areas in implementing them. In addition, the 7th Cohesion Report mentions urban areas in many of its policy recommendations.

However, as there is no legal basis for urban policy in the EU Treaties, discussions on urban development at EU level have primarily taken place within the framework of intergovernmental cooperation. An agreement between the Member States led to the conclusion of the Pact of Amsterdam on the Urban Agenda for the EU in May 2016. The core objective of the Urban Agenda for the EU will be to improve the implementation of EU and national policies on the ground, by involving cities in the design and implementation of urban-related policies as a way of making them more effective, efficient and inexpensive. Momentum has been gathering for the implementation of such an agenda. The first pilot partnerships between the Commission, Member States, cities and stakeholders have been created as the key delivery mechanism for integrating cities into EU policy-making. The partnerships have to prepare and implement an action plan with concrete actions at EU, national and local level. Bridging the rural-urban divide is also a point of concern for various cohesion policy-makers.

Regions lagging behind

So far, cohesion policy has benefited all EU regions, while offering additional support to regions with lower-than-EU-average gross domestic product rates. As such, it is a universal policy that covers – albeit to different degrees – all EU citizens. Most EU cohesion funding is addressed to less developed and transition regions. Nevertheless, some EU regions have not been able to fully grasp the advantages of the investment opportunities on account of effects of the economic crisis and structural problems. Regions that are lagging behind or suffering low growth are usually regions from eastern or southern European countries. The latter have lower than EU average GDP, despite benefiting from many years of European and national funding. Many of them have also been hard hit by austerity policies aimed at bringing the economies of their respective countries into shape. While increasing their funding allocations seems like a logical solution, it is not a panacea for all their problems. An analysis by Willem Molle (Erasmus Universiteit Rotterdam) suggests that southern European regions will have sluggish growth on account of a lack of proper governance, or their predominant investment choices (for instance, heavy investment in roads and/or infrastructure). The 7th Cohesion Report also stresses the impact of quality of government as an important determinant of regional growth. It also states that in many regions across the EU, public procurement is open to the risk of corruption. The Commission has launched an initiative to help these less-developed regions catch up. Its aim is to analyse what holds back growth in less-developed regions and to provide recommendations and assistance on how to unlock their growth potential.

Regions with special geographic characteristics

The geographic characteristics of certain regions may prevent them from competing with other regions on an equal basis. Article 174 TFEU states that: 'among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as northernmost regions with very low population density and island, cross border and mountainous regions'. Some of these regions may thus require additional assistance. The Common Provisions Regulation (1303/2013), which sets out the rules for the ESI funds, offers these regions various forms of assistance that have either not been put in place or have so far had limited application. Various European territorial associations (such as the CPMR and Euromontana) have criticised the limited provisions that cohesion policy offers these regions. EPRS has produced specialised briefings on the issue of islands of the EU as well as on that of sparsely populated and under-populated areas. Various Parliament resolutions on island territories and mountainous regions have meanwhile taken a positive view on special measures for such regions. In addition, Article 349 TFEU also addresses the issue of the EU's outermost regions, which are mentioned several times in the 7th Cohesion Report.

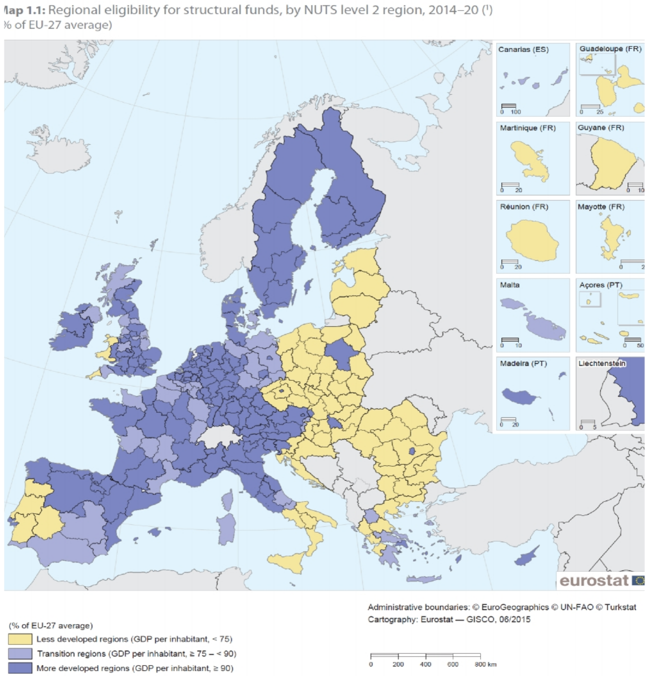
Alternative indicators to GDP

The use of indicators is of extreme importance as it determines who benefits from cohesion policy funding. Until now, cohesion policy funds have been allocated through a system of calculation of regional GDP per head rather than on the basis of other indicators capturing social progress. **Figure 1** shows the EU NUTS regions according to GDP level. The NUTS classification is used for defining regional boundaries and determining geographic eligibility for structural and investment funds. Regional eligibility for ERDF and ESF funding during the 2014-2020 programming period was calculated on the basis of regional GDP per inhabitant (averaged over the 2007–2009 period). In addition, the

Cohesion Fund covers Member States whose gross national income (GNI) per inhabitant is less than 90 % of the EU average.[3] NUTS 2 regions were ranked and split into three groups:

- less developed regions (where GDP per inhabitant was less than 75 % of the EU-27 average); (yellow on the map)
- transition regions (where GDP per inhabitant was between 75 % and 90 % of the EU-27 average); (light blue on the map), and
- more developed regions (where GDP per inhabitant was more than 90 % of the EU-27 average (dark blue on the map).

Figure 1 – NUTS 2 regions by gross domestic product



Source: Eurostat regional yearbook, 2015.

Changes in Member States' GDP levels have had a serious impact on the regions, some of which have suffered significantly.[4] The recent changes in regional GDP levels may be another incentive to suggest that alternative indicators are necessary in order to depict the real issues and problems that European regions are facing. Various methods complementary to GDP have been presented. The draft version of the EU regional Social Progress Index (SPI), released in October 2016, aims to measure the social progress of 272 European regions as a complement to traditional measures of economic progress. Similarly, in a speech in February 2016, Commissioner Creţu supported the idea of including new indicators in cohesion policy, in addition to that of GDP. In particular, she mentioned the Europe 2020 index, the OECD indicators on well-being, those on regional competitiveness, as well as the Human Development Index (HDI). The 7th Cohesion Report also points out that the allocation of funds could be revised by adding criteria linked to the challenges the EU faces, from demographics and unemployment to social inclusion and migration, and from innovation to climate change.

The view of the European Parliament

In June 2017, the European Parliament adopted a resolution (2016/2326) on building blocks for a post-2020 EU cohesion policy (rapporteur: Kerstin Westphal, S&D, Germany). The Parliament considers it essential that cohesion policy should have an adequate budget and that the consequences of Brexit should not lead to its weakening. It strongly opposes any scenario that would scale down the EU's efforts in relation to cohesion policy. It stresses the importance of shared management under the partnership principle and regrets the late adoption of various operational programmes. It notes that the current European territorial cooperation budget does not match the great challenges facing Interreg programmes, nor does it effectively support cross-border cooperation. Parliament underlines that the current categorisation of regions demonstrates the value of cohesion policy. It considers the creation of a reserve to be an interesting option to address major unforeseen events. The importance of ex-ante conditionalities, such as research and innovation strategies for smart specialisation, is also highlighted. Parliament opposes macro-economic conditionality and highlights that the link between cohesion policy and economic governance processes within the European Semester must be balanced. It mentions the need to simplify cohesion policy's overall management system. The EP believes that grants should remain the basis of the financing of cohesion policy and calls on the Commission to ensure better synergies and communication between and about the ESI funds and other Union funds and programmes, including EFSI.

In the resolution, Parliament also states that combating unemployment remains a priority. Cohesion policy should continue to care for the vulnerable and marginalised, addressing growing inequalities and building solidarity through investments in education, training and culture. Partnerships between rural and urban areas, RIS3 and climate change mitigation are also seen as issues that can be tackled through cohesion policy. The resolution welcomes the Pact of Amsterdam and the recognition accorded to cities in European policy-making. It considers that the reception of migrants and refugees, as well as their social and economic integration, should also be addressed through current and future EU cohesion policy. Lastly, Parliament calls on the Commission to start preparing the new legislative framework in good time so that it can be implemented at the start of the new programming period.

Parliament is expected to adopt a resolution on the 7th Report on economic, social and territorial cohesion in 2018 on the basis of an own-initiative report prepared by its Committee on Regional Development (rapporteur: Marc Joulaud, EPP, France).

The view of the Committee of the Regions

In its 2017 opinion, the Committee of the Regions (CoR) points out that the policy for strengthening economic, social and territorial cohesion is one of the most important and comprehensive EU policies. The basic structure of cohesion policy with its three categories (most developed regions, transition regions and less developed regions) should be retained. It calls for cohesion policy to become more flexible in the next funding period and claims that it is important for it to have adequate funding. Therefore, the percentage share of budget allocated to it should remain the same. The opinion considers it essential to guarantee the functioning of multi-level governance and the bottom-up approach through shared management and in full compliance with the principle of subsidiarity. It calls for increasing the visibility of cohesion policy through appropriate communication tools.

In a 2018 resolution, the CoR declared it would go to the European Court of Justice if Commission proposals to offer Member States the possibility to use EU cohesion funds for supporting structural reforms are agreed. The CoR argues that the Commission's plan contravenes the principles of subsidiarity, multi-level governance, co-financing and shared management.

Outlook

Some of the issues mentioned in this briefing require changes in the technical procedures of cohesion policy, whereas others are of a more political nature and may lead to intensive debates. Already, certain sceptical European actors question the utility of cohesion policy.

The post-2020 MFF will show which will be the main priorities in the field of regional policy. For the time being, it is foreseen that cohesion policy will experience budgetary reductions. In addition, the appearance of new political priorities means that further flexibility in funding may be required in cases of emergency – for instance, the adoption of urgent measures to deal with immigration flows that may lead to a quantitative change in the ESI funds. However, possible reallocations of funds through a re-prioritisation of policy targets may open up the debate between net contributing and net receiving Member States, or between different political agents who would like to defend their domains from a possible loss of funds. Furthermore, by allowing transfers of funds, cohesion policy may be seen as a flexible source of money that can easily be re-directed to new issues every time political priorities are altered. The question of simplifying access to funds will be of considerable importance. In addition, the use of new, complementary to GDP indicators for the allocation of those funds, is also an issue to be followed up.

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[2] See for instance, an analysis by Vasilis Avdikos and Anastassios Chardas, 'European Union cohesion policy post 2014: More (place-based and conditional) growth – less redistribution and cohesion', *Territory, Politics, Governance*, Vol. 4, No 1, 2016, pp. 97-117.

[3] It aims to reduce economic and social disparities and to promote sustainable development and funds projects in the field of transport and environmental infrastructure. The Member States covered by this particular fund are: Bulgaria, the Czech Republic, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

[4] When it comes to cohesion policy, Article 7 of the Multiannual Financial Framework Regulation provided for an adjustment for the years 2017 to 2020, to be based on updated statistical data available in 2016. This led to a rebalancing of funding to the countries deemed to have suffered more from the crisis.

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