Cohesion in the EU towards 2050
8th Cohesion Report and stakeholder views

SUMMARY
The 8th Cohesion Report, published by the European Commission in February 2022, paints a mixed picture of cohesion policy. On the one hand, since the 2008 financial crisis and the contraction of public spending, cohesion policy has played an increasing role in maintaining territorial integrity and public services. On the other hand, many less developed and middle-income regions, especially in the southern and south-western parts of Europe, are stagnating or falling behind. The report highlights that while it is relatively easy to increase growth in less developed regions, which benefit from low-cost labour, regions in transition often face several obstacles. Their industrial fabric is weak and their population numbers are in decline, with young people fleeing to more promising regions and urban nodes. There is a risk that distrust of the established institutional order – a ‘geography of discontent’ – may emerge.

Taking the above into account, the report proposes the development of a more sophisticated strategy focused in particular on offering people training and education aligned with the needs generated by the dual digital and green transition. The report calls for ensuring a better diffusion of innovative practices and knowledge at national and regional levels, to help bridge the divide between more developed and less developed/transition regions. Smart specialisation strategies should address this divide, but will need to focus more on building regional potential.

Various stakeholders have assessed and debated the findings of the 8th Cohesion Report and made their own proposals for the future of cohesion policy. The European Parliament’s own proposals include separating the political aspects of the Common Provisions Regulation from its financing, establishing a new Just Transition Fund II, and integrating the Agricultural Fund for Rural Development (EAFRD) into cohesion policy.

The debate on cohesion policy reform for the post-2027 period has already begun. Cohesion policy post-2027 could be radically different from today and potentially serve as the engine of economic transition and policy integration. Various think-tanks envisage thought-provoking scenarios for the possible future of cohesion policy. The present analysis suggests that compelling and intriguing times lie ahead for regional economic cohesion in the EU.
Introduction

Every three years, the European Commission publishes a report on the progress made towards achieving economic, social and territorial cohesion, as required by Article 175 of the Treaty on the Functioning of the European Union (TFEU). This report takes account of the impact of the policy and makes a number of recommendations. This year’s eighth consecutive report is extremely comprehensive and has two main elements: an analysis of the changes in territorial disparities over the past decade, and the launch of a reflection on the future shape of cohesion policy. The report offers a snapshot of the state and evolution in the development of EU regions, and the challenges they are facing. It assesses whether the disparities between them have decreased, highlights the leaders and those that need catching up in areas such as innovation, employment or institutional capacity. Based on the findings of the report, in a communication of February 2022 the Commission presented the main changes in territorial disparities over the past decade and how policies have affected these disparities. It highlights the potential of the green and digital transitions as new drivers of EU growth, but argues that, without appropriate policy action, new economic, social and territorial disparities may appear. Perhaps more importantly, it also launches a reflection on how cohesion policy should evolve to respond to these challenges.

The main findings of the 8th Cohesion Report

The 8th Cohesion Report of 9 February 2022 (the report) outlines the main changes in EU disparities over the past decade; an overview of its findings is presented below.

Cohesion in the EU has improved overall but gaps remain. Growth has been the main driver of convergence in central and eastern EU Member States, yet evidence suggests that several middle-income and less developed regions, especially in southern Europe, have suffered from economic stagnation and ended up in a ‘development trap’. While high growth in less developed regions has brought on convergence, their low-cost advantages and returns on infrastructure investment may shrink over time. However, convergence between Member States has accelerated. Cohesion policy has helped to reduce disparities in economic development and economic achievement among regions, and is estimated to bring about an increase in gross domestic product (GDP) per capita by 2.6% in 2023 in less developed regions, thanks to the support offered throughout the 2014-2020 programming period. The same investments also supported a 3.5% reduction in the gap between the GDP per capita of the 10% least developed regions and the 10% most developed ones. On the other hand, regional disparities within the fast-growing Member States have increased sizeably, one example being capital metropolitan regions, which significantly outperform other regions.

Significant progress has been made in improving employment and social inclusion and health disparities have been narrowing. Nevertheless, important structural challenges remain, for example, as regards reducing the number of people at risk of poverty and social exclusion. Consequently, even though this number fell by 17 million between 2012 and 2019, more than one in five persons...
in the EU are still at risk of poverty or social exclusion. In the eastern parts of the EU, rural areas tend to face higher risk of poverty and social exclusion rates than cities, while the opposite is true in the north-western parts of the EU. In the southern parts of the EU, the situation is mixed: in some cases, rural areas perform better, while in others cities do. While employment has been growing, regional disparities remain larger than before 2008. Reducing regional employment disparities requires more growth in employment and a reduction of the gender gap.

Furthermore, the report describes how drivers of regional growth tend to boost cohesion. It notes that basic broadband access is almost universal in the EU. While overall air and water pollution has been reduced, it remains very high in many less developed regions.

**Skills endowments** are unevenly distributed and are concentrated in more developed regions. The report emphasises that entrepreneurship is critical for growth, and that the regional innovation divide in Europe has grown. The innovation divide is exacerbated by weak innovation and limited human capital spillovers from international trade linkages and value chains.

In terms of governance, there has been an overall improvement across the EU, yet gaps between and within Member States continue to exist. The role and capacity of sub-national governments in economic development remains uneven, although they make most of the public investment. Fiscal consolidation after the 2008 crisis has reduced public investment, which is yet to regain its pre-crisis levels. As a result, cohesion policy funding has become ever more important, growing from the equivalent of 34% to 52% of total public investment in the 2007-2013 and the 2014-2020 periods.

The impact of the coronavirus pandemic at the regional level

The report reveals that the pandemic has put the Member States' health care systems and economic and social structures to the test, and exposed sharp regional differences within and among all of them. The pandemic has had an asymmetric impact on EU regions. For example, excess mortality between March 2020 and late 2021 was significantly higher in less developed regions (17%) than in more developed regions (12%) and transition regions (11%). The pandemic has reportedly generated the largest recession since World War II. This recession, triggered by the restrictions on movement of people and goods, has been particularly sharply felt in some regions. Border regions have been disproportionately affected, as border closures have given rise to new territorial and social disparities. The economic impact of the pandemic has been the strongest in the southern regions, whose economies are more dependent on tourism and proximity services. Compared to 2019, the nights spent by tourists dropped by 90% in the months after March 2020. Throughout the pandemic, the cohesion policy helped regions respond to the crisis. For instance, additional funding was mobilised and co-financing rates were increased. That said, the report states that cohesion policy should now return to its core mission: contribute to the reduction of disparities among the EU regions and promote regional development on a long-term basis.
The report continues by outlining future trends and describes how EU cohesion policy should respond to them. It is beyond doubt that the green transition and especially the goals of a carbon-neutral and circular economy will transform EU economies. The report suggests that the EU has met its 2020 target of reducing greenhouse gas emission by 20% compared to 1990 levels, but significantly more efforts will be needed to reach the 2030 target of 55%. The report highlights that the digital transition is moving forward at different speeds across Europe.

Figure 2 – Population in cities and rural areas with an average tested broadband connection speed in their local administrative units of over 100 Mbps, EU-27, 2020

As regards future challenges, the report describes how new drivers of disparities can be addressed. Cohesion policy should respond by strengthening resilience and responsiveness to asymmetric shocks, ensuring a fair transition and helping regions to respond to demographic change. The report underlines that the EU population is ageing and will start shrinking in the years to come. Starting with rural regions, demographic change will affect all regions in the coming decades, and they will have to adjust to a shrinking labour force and student body and a growing population aged 65 and over. For example, the working-age population will shrink by more than 10% in one out of four regions. The report emphasises that cohesion policy should strengthen the role of regions in building Europe’s future, by creating new economic perspectives for less developed and peripheral regions, for example, by embedding innovation in all regions. Furthermore, cohesion policy can help strengthen cross-border and interregional cooperation, reinforce urban-rural links and the role of smaller cities and towns in supporting rural areas and addressing the needs of left behind places.

The twin transition will bring a significant number of opportunities but also present several challenges. In light of these, the cohesion report proposes the enhanced promotion of job-to-job transitions to the green and digital sectors, in addition to bridging the gap between the new aspects of the job market and the skills that are yet to be developed. In the coming years, areas such as recycling, renewable energies and ecosystem services will be a growing source of job creation.

Furthermore, the report offers an insight into the development of new tools to deliver cohesion towards 2050, by means of increasing the effectiveness of place-based policies. It advocates 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, and increasing lifelong investment in people. Finally, the report highlights the importance of enhancing complementarities within other EU policies.

Addressing the challenges posed by the disparities

The report launches a reflection on how cohesion policy should evolve. It calls for adopting the principle of ‘no harm to cohesion’ when developing new EU policies and legislation. If implemented, such a principle could inform the debates on fiscal rules currently under revision.
The report points to several ways in which cohesion policy seeks to contribute to address the large number and wide range of challenges created by the green, digital and geographical transitions. First, cohesion policy aims to bring economic prospects for each region. Second, it seeks to address citizens’ concern about their quality of life and employment perspectives. Third, it strives to ensure that the costs of the new challenges be shared in a just and fair manner. In line with this third ambition, the report highlights the importance of ensuring a fair transition, pointing out that the scope of the Just Transition Mechanism could be extended to address the social costs of climate change mitigation.

The future role of the regions

The report makes specific proposals on how the regions could assume an enhanced role in shaping the EU’s future. One way is by embedding innovation at all levels of EU regions, by consolidating cross-border and interregional cooperation and by building stronger links between urban and rural areas. Finally yet importantly, the demands of places left behind should be addressed. Owing to the fact that the traditional patterns of employment in some regions have been affected, there is currently a gap between the job market and the skills that are needed to respond to the new transitions. Thus, bridging the gap between the skills and the realities on the job market would help these regions and stop them from lagging behind.

New tools to deliver cohesion

According to the report, one of the ways to develop tools for the future cohesion policy would be by means of enhancing the place-based approaches; these, in their own turn, need to be matched with the policy objective of ‘Europe closer to citizens’. Furthermore, multi-level governance and the partnership principle should be reinforced. In line with the simplifications introduced in the framework of the 2021-2027 programming period, the report advocates additional beneficiary-friendly improvements, such as simplifications and more flexibility of the funding rules. The report also highlights the role of cohesion policy in unlocking private and public investment in the green, digital and demographic transitions. To this end, public and private players should be offered the necessary tools to be able to make the best use of these investments. Furthermore, the report highlights the importance of increasing investment in citizens throughout their life, specifically pointing out the paramount importance of investing more in people’s education and training. Finally, the report stresses that the complementarity between cohesion policy and other EU policies should be enhanced.

Reactions to the report

European Parliament

The Committee on Regional Development (REGI) held a debate on the 8th Cohesion Report on 10 February 2022. Members expressed concern particularly about the stagnation of middle-income and transitional regions, but also about the impact of the emergency measures and the implementation of the national recovery and resilience plans on the programming of cohesion policy. According to the REGI Members, this delay could jeopardise the future of post-2027 cohesion policy and many Member States could be tempted to ‘re-nationalise’ this policy.

On 21 April, the rapporteur Constanze Krehl (S&D, Germany) presented the draft own-initiative report on the 8th Cohesion Report in REGI. The draft report contains several ambitious and innovative proposals. First, drawing lessons from the negotiations of the previous funding period, when the adoption of the Common Provisions Regulation (CPR) was significantly delayed because it was linked to the adoption of the multiannual financial framework, the rapporteur proposed that the Common Provisions Regulation should be composed of two separate parts: one dealing with political aspects and another with financial issues. Doing so would enable co-legislators to
make progress on the key political content of the regulation, which would allow the programming work to begin.

A second notable proposal involves reducing the number of categories of regions to two from the current three. In order to further simplify cohesion policy and with the prospect of having a new Just Transition Fund (JTF) II that would cover most transition regions,¹ the rapporteur proposed abolishing the category of transition regions while keeping that of less and more developed ones. In line with the Commission report, the rapporteur argued that support by a new JTF II is needed to help regions transition to climate neutrality by 2050 and avoid new regional disparities. The budget of this JTF II should be additional to the current cohesion funds and the JTF II should be fully integrated in the CPR and the partnership principle. It should support regions that have high CO₂ emissions per capita and industries in transition, such as the steel and the aluminium industry. NUTS 3-level regions, irrespective of their category, should have access to the JTF II.

Third, the draft report also called for the integration of rural areas into the scope of cohesion policy, i.e. reintegrating the European Agricultural Fund for Rural Development (EAFRD), which is the second pillar of the common agricultural policy, into the cohesion policy framework. The share of agriculture, forestry and fisheries in employment in EU rural regions has decreased from 21 % to 11.5 % between 2000 and 2018, as the Commission noted in its long-term Vision for the EU’s Rural Areas and its Report on a toolkit for national and regional decision-makers. Taking this into account, the rapporteur advocated that the EAFRD invest more in the needs of people in rural areas; making this possible requires that the EAFRD be placed under the governance of the CPR, the latter being an umbrella regulation. Adding his voice to the criticism by the European Court of Auditors, the rapporteur also noted that the 8th Cohesion Report draws no distinction between climate change mitigation and climate change adaptation; making this distinction in the next programming period is crucial, he argued. Finally, the rapporteur noted that regions in the ‘middle-income trap’ should be properly defined and allocated a higher amount of European Social Fund Plus (ESF+) funding for education. REGI adopted the report on 12 July. The proposal to scrap transition regions failed to get a majority of votes and was dropped. The vote in plenary took place on 15 September.

Council

The Council approved its conclusions on the Commission’s 8th Cohesion Report on 2 June 2022 and acknowledged that the report had been published amidst crises and challenges, including the climate and demographic ones. The Council underlined that cohesion policy should take proper account of the needs and potential of territories, enabling them to target the most relevant investments locally. As regards priorities, the Council considered that, to avoid new disparities, investments should be oriented towards the opportunities for growth offered by the green and digital transitions. It furthermore considered that the European Pillar of Social Rights supports the actions of Member States for a more just and inclusive society. The conclusions underlined the importance of the local dimension of cohesion policy and recalled that particular attention should be paid to ‘rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps’. The Council also recommended that further attention be paid to middle-income regions, some of which ‘are stagnating’. Accordingly, cohesion policy should help these territories find new sources of growth.

Regarding Russia’s war against Ukraine, the conclusions acknowledged the specific economic and social challenges faced by the EU regions bordering Russia and Belarus, as well as those bordering Ukraine and Moldova.

The Council expressed support for a simpler cohesion policy supporting long-term investment. As far as the future is concerned, the Council expressed its readiness to launch a period of reflection on the future of cohesion policy after 2027, in order to design a simpler and effective set of rules and to avoid the tendency of multiplying funds.
European advisory bodies

The European Committee of the Regions (CoR) adopted its opinion on the 8th Cohesion Report during its plenary session of 12-13 October 2022. (Rapporteur: Nathalie Sarrabezolles, France/PES). The CoR identifies several key challenges for the strategic development of cohesion policy. First, it highlights the use of cohesion policy to deal with crises versus its role as a policy for long-term development. Then, the document notes that the 2021-2027 cohesion policy regulations have, to a certain extent, centralised the policy and undermined the partnership principle and the role of regional authorities in establishing investment needs as part of operational programmes. This could easily lead to new sources of inequalities and fuel a ‘geography of discontent’ in the EU.

The opinion notes that although cohesion policy is central to the implementation of the European Green Deal and the European Pillar of Social Rights, it is not part of a long-term EU strategy as such. The document criticises the report for failing to refer to the link between cohesion policy and European economic governance. It also expresses the CoR’s disappointment at the fact that the report has given insufficient consideration to territorial cooperation issues in general, and cross-border cooperation in particular. The opinion recommends that rural proofing should be an integral part of a mechanism to assess the impact of EU policies on cohesion. Furthermore, coordination between cohesion policy and the EU’s other investment policies, such as the Recovery and Resilience Facility (RRF), should be improved. The opinion considers that the RRF is already undermining cohesion policy for 2021-2027 for a number of reasons, such as the limited administrative capacity of national, regional and local authorities to develop national recovery plans and, at the same time, deal with the end of the 2014-2020 programming period and draw up the 2021-2027 European structural and investment funds programmes. It complains about the lack of coordination mechanisms between the RFF and 2021-2027 cohesion policy, and the risk of overlaps in the absence of a real mechanism to verify the additionality of RRF funding. Finally, on a critical note, the opinion deplores the fact that the report has not assessed the positive and negative effects that other EU policies, such as the common agricultural policy and the Horizon Europe programme, have on cohesion.

The European Economic and Social Committee (EESC) adopted its opinion on the 8th Cohesion Report on 18 May 2022. (Rapporteur: Krzysztof Balon, Poland/Diversity Europe – Group III). The opinion stresses that social, economic and territorial cohesion is key to achieving a climate-neutral continent by 2050. At the same time, the EESC considers that the most serious challenge in the short and medium term is Russia’s aggression against Ukraine. In this context, the committee proposes the swift establishment of a separate EU fund for the reconstruction and development of Ukraine. Furthermore, it urges the Member States, the EU’s regions and civil society organisations to make the most effective use of the possibilities created by the Regulation on Cohesion’s Action for Refugees in Europe (CARE).

Another important challenge is overcoming the effects of the current pandemic crisis. In particular, the EESC notes that cohesion policy must take into account the fact that the negative impact of the pandemic has generally been greater in less developed regions. The EESC is in favour of implementing ex-ante conditionalities in such a way that regions without alternative sources of funding are not discriminated against; what is needed is a new fiscal policy approach that reinforces the established cohesion objectives. Moreover, the EESC considers that cohesion policy should be conducted in such a way as to ensure that the EU’s development and climate objectives can be met. However, at the same time, it should implement all 20 principles of the European Pillar of Social Rights (EPSR) fully and consistently. Delivering on climate policy requires not only effective use of the Just Transition Mechanism but also complementary actions at regional level. The EESC considers that social protection systems need to be consolidated as instruments to combat poverty and exclusion while at the same time improving social cohesion. The EESC also believes that making progress on digitalisation is an important element of cohesion policy; to this end, it is necessary to ensure universal access to broadband internet as a free public service. Finally, the EESC calls on
the Member States and their regions to involve the social partners and other civil society organisations as broadly as possible in shaping cohesion policy.

**Stakeholder views**

**Conference of Peripheral Maritime Regions (CPMR)**

On 16 February 2022, CPMR published a technical note on 'Deconstructing the 8th Cohesion Report'. The note points to aspects that are missing from the report and discusses why they are not addressed. CPMR identifies four such major omissions. First, the report does not acknowledge the role of the EU Semester in the implementation of cohesion policy. Second, the report fails to give details on the nature and application of the ‘do no harm to cohesion’ principle. Third, despite the insightful economic analysis of the most relevant socio-economic indicators at the EU and the regional level provided by the report, the lack of a strategic framework for cohesion policy restrains this effort. Fourth, the report does not address in a comprehensive manner the situation of territories beset by permanent geographical handicaps mentioned in Article 174 TFEU.

**Council of European Municipalities and Regions (CEMR)**

From 28 February to 1 March 2022, the CEMR secretariat and the chair of the expert group on territorial cohesion participated as observers in the informal meeting of the EU-27 ministers responsible for cohesion policy on the 8th Cohesion Report. CEMR made several specific observations on recentralisation versus multi-level governance and the partnership principle. For instance, territorial instruments that engage local players and uphold the partnership principle can help address pressure on democracy by increasing trust in the EU and ownership of EU policies. However, the need for multi-level governance of EU funds is in contradiction with the recent trend of the EU recentralising these funds’ management back to the Member States. CEMR sees a confirmation of this tendency in the 2021-2027 programming period, from the National CAP strategic plans, the National recovery and resilience plans and national energy and climate plans to the Territorial Just Transition plans. In the CEMR’s view, this trend is in total contradiction with the partnership principle.

**Association of European Border Regions (AEBR)**

In its initial assessment, AEBR welcomes the fact that cross-border cooperation has a much stronger presence in the current report than in the previous one, a view widely shared by other stakeholders too. According to AEBR, the issue is duly reflected in the foreword by Commissioners
Elisa Ferreira and Nicolas Schmit, which states that closing national borders has affected border regions disproportionately. AEBR asks the Commission to adapt its policy in a way that would promote effective cross-border cooperation. It also refers to the report’s Chapter 4 on ‘A more connected Europe’, which highlights cross-border passenger rail services as well as many persistent gaps and issues, such as lower speeds and lower transport performance in border areas.

Eurocities

In its comment on the publication of the report, the network of large cities, Eurocities, highlighted that the report proves the effectiveness of cohesion policy in bringing balance across the EU. It called for the reinforcement of cities’ and metropolitan regions’ possibilities to tap into this resource. According to Eurocities, urban regions are the innovation hubs that help boost regional development. Furthermore, Eurocities believe that the report shows strong evidence that eastern European regions have been catching up. However, municipal budgets are currently stretched, owing to three years of crisis.

Eurocities consider that the report provides evidence of how local public investments have been a driver not only for innovation but also for environmental action and social cohesion in cities all over the EU. The local level is the place where the broader goals to do with the green, digital and fair transitions can take shape. With regard to investment in the energy transition and adaptation to climate change, the local and regional levels account for the bulk of public investment across the EU. While local and regional autonomy has grown slowly in cohesion countries during recent decades, it remains lower than in the rest of the EU, Eurocities points out with concern.

Conference of European Regional Legislative Assemblies (CALRE)

CALRE President, Jean-Claude Marcourt, took part on 5 May 2022 in a consultation meeting on the 8th Cohesion Report with CoR rapporteur Nathalie Sarrabezolles. In his speech, Marcourt considered that cohesion policy constitutes an important lever making it possible to guarantee EU citizens an economic and social environment suitable for their personal development. As part of the effort to reduce greenhouse gas emissions, he said he was convinced of the need to ensure that no one was left out of the progress towards a greener and more resilient society, welcoming in particular the creation of the Just Transition Fund. He called on the EU to catch up on the digital transition and to become a pioneer in this field. In this regard, he enthusiastically welcomed the EU’s decision to allocate the bulk of cohesion policy funding for the period 2021-2027 to the two strategic objectives ‘A smarter Europe’ and ‘A Greener, carbon-free Europe’. Noting that the coronavirus pandemic has shown that a revision of the EU budgetary framework is possible, he called for a comprehensive revision of EU budgetary rules. Finally, he made a point of expressing his preference for the implementation of specific cohesion funds, which would make it possible to better verify the achievement of the objectives set, as evidenced by the recovery plan for Europe.

Assembly of European Regions (AER)

AER President, Magnus Berntsson, stressed that EU and national stakeholders have to work in partnership with regions for a fair recovery to bounce back from the pandemic. AER considers cohesion policy fundamental to unlocking the full potential of the regions, and calls for investments to reach all EU regions. AER finds it important to counteract the depopulation of rural areas. AER sees youth empowerment as another key priority, given that young people are under-represented in most political decisions across EU regions.

Joint observations of the #CohesionAlliance

On the occasion of the 8th Cohesion Forum, a large-scale political event held every three years and bringing together high-level representatives of EU institutions, central governments, regional and local representatives, economic and social partners, NGOs and academics, the #CohesionAlliance agreed to put forward its joint observations about the 8th Cohesion Report. The #CohesionAlliance
is an initiative of the leading EU associations of cities and regions, together with the CoR; it is a coalition of those who believe that EU cohesion policy must continue to be a pillar of the EU’s future. The statement stresses that cohesion policy remains the EU’s most important investment tool.

According to the alliance, cohesion policy has been effective in addressing the financial and COVID-19 crises, and is also playing a crucial role in addressing the consequences of the Russian war on Ukraine. Furthermore, cohesion policy has been instrumental in achieving greater territorial cohesion in the EU. However, regional disparities remain high and major challenges confront the ambition of leaving no people and no regions behind.

The alliance stresses the crucial role played by cohesion policy in supporting the digital and green transitions at local and regional level, and in particular the Just Transition Fund’s role in ensuring a fair transition. The alliance considers that implementation of the partnership principle can help address pressure on democracy. Finally, it notes that the future of cohesion policy will be closely linked with the discussions on a possible reform of the EU economic governance framework.

Outlook

It would appear from the above reactions that all stakeholders want a modern cohesion policy with a vision for the future. There is consensus that less developed regions facing economic stagnation require additional investment in education, training, research, innovation and infrastructure. While many stakeholders believe that the RRF is compatible with cohesion policy, they regret its centralised character and lack of a regional dimension, and the fact that regional and local bodies are not consulted on its implementation. Stakeholders are of the opinion that budgetary resources for cohesion should remain at the same or a higher level after 2027.

The need to simplify cohesion policy is broadly supported too. However, stakeholders highlight that the flexibility of cohesion policy should not be misused, and it should not become a flexible funding tool of budgetary shortcomings but a long-term instrument preparing the EU regions for the future.

Cohesion funds have been used five times in the past two years to finance emergency support measures, three times in the context of the war in Ukraine (CARE, CARE+ and FAST-CARE), and twice in the context of the pandemic (Coronavirus Response Investment Initiative – CRII and CRII+). While all stakeholders recognise the need to act quickly to mitigate the consequences of crises, they stress that emergency management should not become the new modus operandi of EU cohesion policy. They call for a right balance between the stability of the financing rules, on the one hand, and the flexibility and simplification necessary to provide timely responses, on the other. They believe that cohesion policy should not be downgraded to a mere financial reserve used in cases of crises. Stakeholders also agree on a better recognition of the demographic, economic, social and environmental specificities of the various regions.

The EU is undergoing a twin transition of digitalisation and decarbonisation that is drastically changing the way its economy works. The structural changes emanating from the twin transition could redraw the EU’s economic landscape and reshape its economic cohesion. According to a study by the Vienna Institute for International Economic Studies and the Bertelsmann Foundation on the ‘The Future of EU Cohesion: Effects of the Twin Transition on Disparities across European Regions’, the green transition poses significant challenges to many EU regions as they struggle to adapt their economic production and infrastructure to EU decarbonisation goals. The study notes that digitalisation may also present more opportunities to economically well-developed regions than to regions that specialise in low-tech manufacturing or agriculture. According to the authors, urban areas stand out as having more potential for future economic growth on the back of the twin transition. The study highlights that many regions that are already struggling with low economic growth in southern and eastern Europe have a worse outlook than regions in northern and western Europe. As a result, the divide between richer and poorer regions will likely widen, the study forecasts. This clearly translates into a threat of the EU regions drifting further apart. Overall, the
results of the analysis provide a strong pointer towards a more differentiated and targeted approach to cohesion policy that considers the regions’ characteristics and future growth potential.

Preventing the gap between rich and poor regions from widening is key to the success of any future cohesion policy. Therefore, stakeholders unequivocally call on the Commission to draw lessons from the implementation of the JTF and apply them in practice after the end of the programming period in 2027. There is wide support for the provision of adequate funding for regions to mitigate and adapt to climate change. Stakeholders also attach great importance to policy synergy and coherency when challenges like the twin transition coincide with multiple crises, from COVID-19 to Russia’s invasion of Ukraine. As to whether cohesion policy should have a more centralised approach, stakeholders emphasise the need to engage regions more directly, as their input is essential for shaping tailor-made regional policy. However, many regions still lack the administrative capacities to best utilise EU funds for regional development.

The stakeholders’ observations raise questions as to whether the Commission’s ideas for the future cohesion policy are actually feasible. Additionally, the Parliament has set out ambitiously high co-financing rates, without clearly specifying where the additional funding could come from. As for the idea to split the negotiations on the CPR into two parts (the content-related negotiations should be concluded before the financial ones), the question arises if the local and regional authorities would be able to start the planning process without knowing what amount of funding is at their disposal.

These reflections show that the cohesion policy reform debate for the post-2027 period has already started. Cohesion policy post-2027 can be radically different from today. It has the potential to be the driver of economic transition and play the role of policy integrator; in a negative scenario, it could evolve into a narrowly focused funding scheme, or even be phased out if it lacks agility and flexibility to adjust to changing circumstances. ForPA, Regional Policy Research Consortium has envisaged a number of scenarios to highlight potential post-2027 reform directions with respect to the financing, objectives, governance and implementation arrangements of cohesion policy. These range from the current (status quo) model to a more devolved (or ‘re-nationalised’) cohesion policy, with a limited role for the EU. Between these extremes are two scenarios: a territorial cohesion model, which emphasises the distinct place-based rationale of cohesion policy; and a national cohesion and reform model, drawing on the RRF. Spatialforesight’s territorial thinkers have identified three radically different policy scenarios for the way EU policymaking could respond to the need for more resilience. The first focuses on a new era for cohesion policy. Under this scenario, a shift towards resilience and flexibility would allow cohesion policy to become the main instrument for responding to changing contexts. The second scenario focuses on a return of cohesion policy to its primary objectives. Under this scenario, the objectives for innovation, energy, and climate change would be addressed by a growing number of sectorial policy instruments, and new needs would be addressed by new policy initiatives. The third scenario focuses on changing policy needs in a changing world. Here, cohesion policy is not adaptive enough to support the need for a more resilient Europe. Subsequently, other policy instruments, which are more agile, grow and take over. In the long run, this would lead to a diminishing importance of cohesion policy.

These are just a few thought-provoking schemes, and there are obviously many more. They point to the need to rethink cohesion policy, its purpose, format and relationship to other policies, if it is to have a role in a more resilient Europe. All analyses suggest that compelling and intriguing times lie ahead for regional economic cohesion in the EU.
MAIN REFERENCES

European Commission; *Eight report on economic, social and territorial cohesion*; February 2022.


ENDNOTES

1 These are regions whose GDP per capita falls between 75 and 90 percent below the EU average. As such, they receive less funding than the less developed regions but more funding than the more developed ones.

2 Rural areas, areas affected by industrial transition, and regions that suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions that have a very low population density and island, cross-border and mountain regions.

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