# **European Parliament**

2019-2024



# Committee on Regional Development

2023/2121(INI)

10.11.2023

# **DRAFT REPORT**

on cohesion policy 2014-2020 - implementation and outcomes in the Member States (2023/2121(INI))

Committee on Regional Development

Rapporteur: Andrey Novakov

PR\1289988EN.docx PE756.089v01-00

# $PR\_INI\_ImplReport$

# **CONTENTS**

	Page
EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS	3
MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION	9

#### **EXPLANATORY STATEMENT - SUMMARY OF FACTS AND FINDINGS**

As a decade of cohesion policy investments draws to an end, the time has come to take stock of the policy's implementation and achievements during the past programming period and to contribute to the reflection on its future.

Cohesion policy investments across the EU have resulted in unparalleled positive impacts on regions, cities, rural, border and remote areas. Directly or indirectly, every EU Member State has experienced the positive effects of financing through the EU budget. EU investments in transport infrastructure, energy, small and medium-sized enterprises (SMEs), skills, innovation, agriculture, reforms and other fields build the EU in times of peace and rebuild it in times of crisis. The multi-priority investment approach of cohesion policy, combined with its shared management have contributed to the EU's priorities: SME support, research and innovation, digitalisation, farming, urban infrastructure, tourism, large transport infrastructure, culture and education, healthcare, cross-border projects, the energy transition, energy efficiency, climate and environment. The outcomes of the thousands of local projects confirm the indispensable role of regional investment through cohesion policy and consolidate its role and visibility in the multiannual financial framework.

Your rapporteur's conclusions and recommendations are based on the wealth of available data on the implementation of the main cohesion policy funds 2014-2020 - European Regional Development Fund (ERDF), Cohesion Fund (CF), European Social Fund (ESF) and Youth Employment Initiative (YEI). Data is naturally scarcer on the cohesion instruments adopted as a response to the COVID-19 pandemic and the recent Ukraine and energy crises - the Coronavirus Response Investment Initiatives (CRII and CRII+), REACT-EU (Recovery Assistance for Cohesion and the Territories of Europe), CARE (Cohesion's Action for Refugees in Europe), FAST-CARE (Flexible Assistance to Territories) and SAFE (Supporting Affordable Energy). This is because not enough time has passed to allow for proper insight. Nevertheless, your rapporteur believes that, despite certain limitations, some lessons can be drawn from a preliminary assessment of investments.

To draft this report, your rapporteur has examined not just the effectiveness of the implementation of 2014-2020 funds, but also the actual effectiveness of the policy: after all, an increased focus on performance and results was one of the key features of this period. In other words, beyond financial implementation, the rapporteur looked at available data on the actual results of the investments to try to determine how the available cohesion instruments have delivered on the cohesion objective enshrined in the Treaty, as well as on the priorities of the Union strategy for smart sustainable and inclusive growth.

This assessment exercise has meant that the rapporteur has grappled with the challenges that cohesion policy is facing, some of which have been extensively discussed by the Committee on Regional Development (REGI) in the last parliamentary term. Despite the policy overhaul that took place before the current programming period, cohesion policy is once again at a turning point: it has to compete with other instruments and delivery models, and is expected to deliver on a growing set of long-term priorities while being increasingly called on to respond to emergencies. The survival of cohesion policy will depend on a successful conclusion of the 2014-2020 period and an effective implementation of the 2021-2027 programmes, as well as on its ability to reinvent itself, adapt to a changing world and tackle

emerging challenges. The rapporteur's intention for the conclusions and recommendations of this report to serve as input for the ongoing interinstitutional debate on these matters and thus help shape the future cohesion framework.

#### **Procedure and sources**

Your rapporteur has relied on the following sources, among others:

- discussions held in the REGI committee with the Commission and the permanent representatives of the Member States on the implementation of cohesion policy funds (an ongoing exercise that began in July 2022);
- publications by Parliament's research services<sup>1</sup>, including: Parliament's PolDep B study on absorption rates (preliminary results);
- an analysis of available data, including the open databases on cohesion policy managed by the Commission's Directorate-General for Regional and Urban Policy (DG REGIO), Cohesion Open Data Platform, the Coronavirus Dashboard and Kohesio;
- Commission sources<sup>2</sup>, including the eighth report on economic, social and territorial cohesion and the annual implementation reports of the EU's Structural and Investment (ESI) Funds<sup>3</sup>;
- a European Parliamentary Research Service review of studies by other EU institutions, including the European Court of Auditors (ECA)<sup>4</sup> and the European Investment Bank (EIB)<sup>5</sup>, policy papers<sup>6</sup> and evaluations of the policies implemented by individual Member States<sup>7</sup>;
- the work of the high-level group on the future of cohesion policy;
- the public hearing on simplification of cohesion policy held in the REGI Committee on 23-

PE756.089v01-00 4/13 PR\1289988EN.docx

<sup>&</sup>lt;sup>1</sup> See, for example: 'Financial Implementation of European Structural and Investment Funds', June 2018; 'Cohesion policy and climate change', April 2021; 'Cohesion policy in EU coal regions', January 2023.

<sup>&</sup>lt;sup>2</sup> See also: '<u>Key achievements of cohesion policy</u>', European Commission; 'Evaluation of e-Cohesion 2014-2020, Final Report', DG REGIO, European Commission, 2023; 'Annual activity report 2021 - Regional and Urban Policy' European Commission, April 2022; 'Annual activity report 2022 - Regional and Urban Policy', European Commission, June 2023; 'Preliminary evaluation of the support provided by ESF and FEAD under the Coronavirus Response Investment Initiatives (CRII and CRII+)', Commission Staff Working Document (SWD(2023)0249).

<sup>&</sup>lt;sup>3</sup> 'European Structural and Investment Funds - 2022 Summary report of the programme annual implementation reports' (SWD(2023)0022), summarising all evaluations on implementation carried out by Member States for the 2014-2020 period.

<sup>&</sup>lt;sup>4</sup> See, for instance, the following European Court of Auditors publications: 'Annual report on the implementation of the EU budget for the 2022 financial year'; Special report 24/2021 - 'Performance-based financing in Cohesion policy: worthy ambitions, but obstacles remained in the 2014-2020 period'; Special report 08/2022 - 'ERDF support for SME competitiveness'; Special report 23/2022 - 'Synergies between Horizon 2020 and the European Structural and Investment Funds'; Special report 27/2022: EU support to cross-border cooperation in the neighbouring countries; Special report 22/2022 - 'EU support to coal regions'; Special report 02/2022 - 'Energy efficiency in enterprises selection'; Special report 09/2022 - 'Climate spending in the 2014-2020 EU budget'.

<sup>&</sup>lt;sup>5</sup> 'The state of local infrastructure investment in Europe', EIB Municipalities Survey 2022-2023, July 2023.

<sup>&</sup>lt;sup>6</sup> 'Strengthening governance of EU funds under Cohesion Policy - administrative capacity building roadmaps', - OECD, January 2020; 'The delivery system of Cohesion Policy now and in the future', Spatial Foresight and ÖIR for the Committee of the Regions, 2023.

<sup>&</sup>lt;sup>7</sup> See, for example: 'Evaluation of the Territorial and settlement development OP 2014-2020 in Hungary'; 'Az ifjúsági foglalkoztatási kezdeményezés - eredményeinek értékelése', Equinox Consulting, 2018; 'Assessment of labour market integration support schemes', GKI Gazdaságkutató, January 2021; 'Evaluation of the YEI', Wolf-Watz, O. and Öhlin, J., 2018, December 2018; 'Übergreifende Programmevaluierung der Förderung durch den Europäischen Sozialfonds (ESF) im Freistaat Thüringen in der Förderperiode 2014 bis 2020 - Abschlussbericht', Institut für Sozialökonomische Strukturanalysen, 2020.

- 24 October 2023,
- the interparliamentary committee meeting on the future of cohesion organised by the REGI Committee on 7 November 2023,
- contacts with the Commission, managing authorities and regional and local authorities.

### Cohesion policy in the 2014-2020 period

# A new framework

In the 2014-2020 period, a single set of rules was introduced to cover the EU's five Structural and Investment Funds for reasons of coordination and complementarity, as well as in order to establish a robust link with the Union strategy for smart, sustainable and inclusive growth (Europe 2020 strategy). The ERDF, the CF and the ESF became one of the investment pillars of the 2020 strategy, while at the same time contributing to cohesion aims. Article 9 of the Common Provisions Regulation (CPR) translated the priorities of the Europe 2020 strategy into 11 thematic objectives (TOs), which each of the ESI Funds needed to support.

In addition, the ERDF, the ESF and the CF had the specific goal of supporting investment for growth and jobs in all categories of regions. The ERDF also supported the territorial cooperation goal.

To round up the strategic programming approach, the CPR created a stronger link with country-specific recommendations and provided tools and guidance to achieve synergies between the funds, such as the possibility of multi-fund programmes, integrated territorial investments, community-led local development and joint action plans.

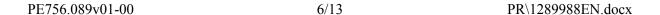
In addition, the new framework introduced new mechanisms to improve the policy's effectiveness, such as the performance framework, the performance reserve and the *ex ante* conditionalities. It also included important simplification measures, made reporting requirements lighter, introduced e-cohesion and took some steps towards results-based management.

Lastly, the new framework enhanced the territorial dimension of the policy when compared to the previous programming period. The Common Strategic Framework annexed to the CPR and the European Code of Conduct on Partnership are an example of this.

### Cohesion as a crisis response tool

From 2020, several major crises have shaken the EU and the wider world. The COVID-19 pandemic, the Russian war of aggression against Ukraine and the energy crisis it triggered have had a serious impact on people and businesses in all EU regions. Cohesion policy played a major role in the EU's response to this difficult situation. In 2020, a series of amendments to the 2014-2020 rules, CRII and CRII+, granted Member States greater flexibility to use cohesion funds to support vulnerable people, businesses and the health sector. In 2021 extra funds were made available through REACT-EU to support future-oriented measures.

In 2022, the flexibilities introduced through CARE and FAST-CARE helped Member States reallocate available 2014-2020 funding to assistance for people fleeing Ukraine. The 2014-2020 framework was further modified by SAFE as part of RePowerEU. Thanks to this initiative, cohesion policy was able to help vulnerable households and SMEs cope with the sharp hike in energy costs resulting from the war in Ukraine.



### Findings on implementation<sup>8</sup>

The rapporteur has looked at the implementation of investments made under the 2014-2020 cohesion policy legal framework, based on Regulation (EU) No. 1303/2013<sup>9</sup>. The main funds through which the policy was delivered (the ERDF, the CF and the ESF), together with the Youth Employment Initiative (YEI), have provided a total of EUR 449 billion<sup>10</sup> for the 2014-2020 period (84 % of the planned EUR 532 billion). These figures include national co-financing and the additional resources provided under REACT-EU. Without taking into account REACT-EU funds, absorption should reach 89 %.

For payments, the 2014-2020 period has followed the usual project life cycle, although more slowly. Payments started late and were slow at the beginning of the period (8 % by end 2016). Although they accelerated substantially from 2017 onwards, as of 2018, most Member States had slower payment rates than at the equivalent stage in the previous programming period. This is arguably due to the fact that the 2014-2020 framework was adopted fairly late, just a few days before its official start, and that pressure to implement was lower than in 2007-2013 as a result of the change to the decommitment rules (n+3).

As of 2020, implementation has been affected first by the COVID-19 pandemic and then by the refugee and energy crises. The reprogramming effort under CRII(+) and the possibility of 100 % co-financing through CARE, among other measures, have contributed to accelerating expenditure rates in 2020, 2021 and 2022. Still, at the end of 2022 the absorption rate (including REACT-EU) was just 77 %.

The spending rate kept accelerating in the second half of the period and expenditure has significantly caught up 2023, so that the same percentage has been reached as at the same point in 2007-2013. However, overall financial implementation has been slower than in the previous period. Several programmes face decommitments for not reaching their payments targets, and significant differences can be observed across Member States, regions and at programme and TO level. Payments for transition regions tend to be slower, as does expenditure under TO5 (climate change adaptation), TO4 (low-carbon economy), TO11 (administrative capacity) and TO6 (environment).

For funding available under REACT-EU, to date, just about 50 % of the total available funds have been paid out to Member States<sup>11</sup>. There is a risk, already pointed out by the ECA, that Member States are rushing to spend the available funding before the end of the period and paying insufficient attention to performance and value for money.

In terms of absorption patterns, roughly one third of Member States are late absorbers. As of

EN

<sup>&</sup>lt;sup>8</sup> The figures in this section reflect the situation as of 9 November 2023, when the data available covered the period up to the 30 June 2023. They might be updated in the course of this procedure as more data become available.

<sup>9</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006, OJ L 347, 20.12.2013, p. 320.

<sup>&</sup>lt;sup>10</sup> Cohesion Open Data Platform, consulted on 3 November 2023. Data covering the period until 30 June 2023. <sup>11</sup> Cohesion Open Data Platform, REACT-EU, consulted on 3 November 2023.

November 2023, the average payment rate in the EU was 86 %, with some of the older and larger Member States lagging significantly behind. Although it is likely that these countries will accelerate their performance towards the end of the period, their present persistently low absorption patterns suggest underlying structural problems, which regularly result in great pressure on authorities towards the end of the programming period, and could eventually lead to the loss of available funds. It should be noted that Parliament is advocating the postponement of the closure date for ESI Funds to 31 December 2024<sup>12</sup>.

We can therefore conclude that a slow spending rate is a major problem in certain Member States. Agreements on the multiannual financial framework (MFF) are reached late and this consistently delays the adoption of the regulatory framework for cohesion in each programming period. This should also be better tackled in future programming periods. In addition, previous analyses show that the delays in the spending of EU structural funds tend to accumulate across programming periods.

However, absorption is just one aspect of implementation. In his preparatory work for this report, your rapporteur has identified a series of additional factors that have influenced implementation and the effectiveness of cohesion policy in 2014-2020, including administrative burdens, the capacity of local and regional authorities, the price crises and the labour shortages that the EU has recently experienced. These are the basis for the recommendations in the motion for resolution.

Programming, reprogramming, implementation and closure of cohesion investments affect policy outcomes nationally but most of all locally, at regional and sub-regional level. The CPR for cohesion policy and the sectoral regulations covered by the CPR have been improved over time. The changes introduced to the 2021-2027 regulations addressed a number of challenges. However, one area of improvement that has not yet been sufficiently tackled is implementation at local level through local authorities, including municipalities. Therefore, your rapporteur has focused the report on recommendations for the local level.

FΝ

<sup>&</sup>lt;sup>12</sup> See <u>Parliament's position on STEP</u> - Amendments adopted by the European Parliament on 17 October 2023 on the proposal for a regulation of the European Parliament and of the Council establishing the Strategic Technologies for Europe Platform ('STEP') and amending Directive 2003/87/EC, Regulations (EU) 2021/1058, (EU) 2021/1056, (EU) 2021/1057, (EU) No 1303/2013, (EU) No 223/2014, (EU) 2021/1060, (EU) 2021/523, (EU) 2021/695, (EU) 2021/697 and (EU) 2021/241. Texts adopted, P9\_TA(2023)0364.

# MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on cohesion policy 2014-2020 - implementation and outcomes in the Member States (2023/2121(INI))

The European Parliament,

- having regard to Articles 174 and 349 of the Treaty on the Functioning of the European Union (TFEU),
- having regard to Regulation (EU) No 1303/2013 of the European Parliament and the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (the Common Provisions Regulation)<sup>1</sup>,
- having regard to Regulation (EU) No 1301/2013 of the European Parliament and the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006<sup>2</sup>,
- having regard to Regulation (EU) No 1300/2013 of the European Parliament and the council of 17 December 2013 on the Cohesion Fund and repealing Council Regulation (EC) No 1084/2006<sup>3</sup>
- having regard to Regulation (EU) No 1299/2013 of the European Parliament and the council of 17 December 2013 on specific provisions for the support from the European Regional Development Fund to the European territorial cooperation goal<sup>4</sup>,
- having regard to Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006<sup>5</sup>,
- having regard to Regulation (EU) 2020/460 of the European Parliament and of the Council of 30 March 2020 amending Regulations (EU) No 1301/2013, (EU) No 1303/2013 and (EU) No 508/2014 as regards specific measures to mobilise investments in the healthcare systems of Member States and in other sectors of their economies in response to the COVID-19 outbreak (Coronavirus Response Investment Initiative)<sup>6</sup>,
- having regard to Regulation (EU) 2020/558 of the European Parliament and of the

-

<sup>&</sup>lt;sup>1</sup> OJ L 347, 20.12.2013, p. 320.

<sup>&</sup>lt;sup>2</sup> OJ L 347, 20.12.2013, p. 289.

<sup>&</sup>lt;sup>3</sup> OJ L 347, 20.12.2013, p. 281.

<sup>&</sup>lt;sup>4</sup> OJ L 347, 20.12.2013, p. 259.

<sup>&</sup>lt;sup>5</sup> OJ L 347, 20.12.2013, p. 470.

<sup>&</sup>lt;sup>6</sup> OJ L 99, 31.3.2020, p. 5.

Council of 23 April 2020 amending Regulations (EU) No 1301/2013 and (EU) No 1303/2013 as regards specific measures to provide exceptional flexibility for the use of the European Structural and Investments Funds in response to the COVID-19 outbreak<sup>7</sup> (Coronavirus Response Investment Initiative Plus),

- having regard to Regulation (EU) 2022/562 of the European Parliament and of the Council of 6 April 2022 amending Regulations (EU) No 1303/2013 and (EU) No 223/2014 as regards Cohesion's Action for Refugees in Europe (CARE)<sup>8</sup>,
- having regard to Regulation (EU) 2022/2039 of the European Parliament and of the Council of 19 October 2022 amending Regulations (EU) No 1303/2013 and (EU) 2021/1060 as regards additional flexibility to address the consequences of the military aggression of the Russian Federation FAST (Flexible Assistance for Territories) CARE<sup>9</sup>,
- having regard to the Commission communication of 4 February 2022 on the 8th Cohesion Report: Cohesion in Europe towards 2050' (COM(2022)0034),
- having regard to the Commission communication of 17 January 2023 entitled 'Harnessing talent in Europe's regions' (COM(2023)0032),
- having regard to its resolution of 15 September 2022 on economic, social and territorial cohesion in the EU: the 8th Cohesion Report<sup>10</sup>,
- having regard to its resolution of 15 February 2022 on challenges for urban areas in the post-COVID-19 era<sup>11</sup>,
- having regard to its resolution of 20 May 2021 on reversing demographic trends in EU regions using cohesion policy instruments<sup>12</sup>,
- having regard to its resolution of 25 March 2021 on cohesion policy and regional environment strategies in the fight against climate change<sup>13</sup>,
- having regard to its resolution of 13 March 2018 on lagging regions in the EU<sup>14</sup>,
- having regard to the opinion of the Committee of the Regions on the future of cohesion policy post-2027 of XXX,
- having regard to the EU Annual Report on the State of Regions and Cities 2022,
- having regard to Rule 54 of its Rules of Procedure, as well as to Article 1(1)(e) of, and Annex 3 to, the decision of the Conference of Presidents of 12 December 2002 on the procedure for granting authorisation to draw up own-initiative reports,

<sup>&</sup>lt;sup>7</sup>OJ L 130, 24.4.2020, p. 1.

<sup>&</sup>lt;sup>8</sup> OJ L 109, 8.4.2022, p. 1.

<sup>&</sup>lt;sup>9</sup>OJ L 275, 25.10.2022, p. 23.

<sup>&</sup>lt;sup>10</sup> OJ C 125, 5.4.2023, p. 100.

<sup>&</sup>lt;sup>11</sup> OJ C 342, 6.9.2022, p. 2.

<sup>&</sup>lt;sup>12</sup> OJ C 15, 12.1.2022, p. 125.

<sup>&</sup>lt;sup>13</sup> OJ C 494, 8.12.2021, p. 26.

<sup>&</sup>lt;sup>14</sup> OJ C 162, 10.5.2019, p. 24.

- having regard to the letter from the Committee on Agriculture and Rural Development,
- having regard to the report of the Committee on Regional Development (A9-0000/2023),
- A. whereas the outcomes of the 2014-2020 programming period prove the indispensable role of cohesion policy as the only regional development instrument that is geared to local needs; whereas because of cohesion policy's positive local impact, no other EU investment policy could replace it;
- B. whereas despite the regulatory improvements introduced in the 2014-2020 programming period and the improvements in the 2021-2027 regulatory framework, a number of challenges remain;

## Future cohesion policy

# General principles

- 1. Insists that due to its regional focus, strategic planning and effective implementation model, cohesion policy should remain the EU's main instrument for reducing disparities and stimulating regional growth and continue to be a key contributor to supporting recovery from symmetric and asymmetric shocks; calls for a clear demarcation between cohesion policy and other instruments in order to avoid overlaps and competition between EU instruments; believes that there must be an increase in the overall cohesion budget and in the MFF's share of the policy compared to the 2021-2027 programming period;
- 2. Considers that cohesion investments should remain under shared management for programming and implementation in order to cater for local needs of regions, urban, rural and remote areas; acknowledges that co-programming, co-financing, co-responsibility and co-ownership are the most effective methods for successful implementation of any EU investment policy and any EU-financed project;
- 3. Underscores that the cohesion policy budget should not be used for new non-cohesion policy instruments and programmes, either within or outside the MFF; stresses that flexibility in the repurposing of cohesion funding should be a bottom-up driven process, initiated either by a Member State or by its regional or local level;

### Local focus

- 4. Calls for disaster prevention and preparedness investments to be guaranteed either through a dedicated policy objective, thematic concentration or a specific enabling condition to ensure investments in local infrastructure and risk management in less developed urban and rural areas, including border regions; believes that targeted financing should focus on climate change adaptation and mitigation by tackling the side effects of climate change locally (slow onset events as well as extreme weather events), including wildfires, floods, landslides, heatwaves, coastal erosion and other events;
- 5. Calls for the creation of a technical assistance programme specifically designed for smaller municipalities and cross-border and rural areas that face new challenges such as the green transition and climate change; believes that the support should be in the form

- 100 % EU financing for administrative capacity-building, project design and strategic planning capabilities (including planning instruments), while the allocation criteria should include the number of inhabitants and the needs and challenges of these areas;
- 6. Calls for cohesion policy to include a stronger urban dimension through designated investments in urban areas as well as stronger links between urban and rural projects and investments; calls for the proportion of national ERDF allocations for urban development to be increased from 8 % to 12 %; calls for this funding to be coprogrammed with local authorities and for their benefit; underlines in this context that administrative capacity is essential for ensuring that managing bodies and local authorities acquire technical knowledge on climate change which they can use for urban planning and urban management; is convinced that this will lead to better design and evaluation of project proposals, more effective allocation of resources and satisfactory budgetary implementation without significant risk of decommitments; acknowledges that integrated territorial investments have a fundamental role in quality implementation and absorption of resources:
- 7. Calls for the use of cohesion decommitments for thematic concentration on local infrastructure and for reserve margins within cohesion policy that will absorb future inflation or supply chain shocks; believes that the mechanism should operate on a rolling basis following the multiannual and annual decommitment cycles;
- 8. Calls for the reduction of thematic concentration requirements in order to allow for more flexibility to cater for local needs, following the principle of place-based policy in the EU's territorial investments; underscores that thematic concentrations should be adapted to the way regions and cities operate in practical terms, from programming and reprogramming to implementation and closure; is certain that the key principle should be a tailor-made investment approach geared to specific needs on the ground;
- 9. Calls for initial allocations and co-financing rates to be assessed on the basis of NUTS 3 (nomenclature of territorial units for statistics) in order for funding to be directed to where it is most needed and to avoid pockets of underdevelopment from arising; underlines that such a shift should take into account possible negative effects on EU financing for larger urban areas; stresses that this is necessary in order not to stall the development trajectory of metropolitan areas that were previously supported more intensively by cohesion policy;
- 10. Considers that for the allocation of funds for local projects, the focus should be on a smaller number of higher budget, common benefit projects, instead of scattering the limited resources across a high number of low budget projects; calls for guidance and planning support to avoid decommitments and repurposing;
- 11. Calls for the creation of local cohesion boards in the managing authorities and monitoring committees, which should have decision-making powers, including on coprogramming and co-reprogramming with local authorities; reiterates that these boards should include representatives of urban and rural administrations, including mayors;
- 12. Is convinced that promoting an increased sense of local ownership in the long term, the durability of EU projects and higher co-financing leverage can be achieved through more fiscal decentralisation towards municipalities; acknowledges that such a path improves municipal borrowing capacity linked to financial instruments provided by the

- EU budget; underlines that local budgets need more fiscal space to compensate for inflation shocks and crises;
- 13. Calls for paths for the decentralisation of cohesion policy management to be explored in order to bring management closer to the local level; stresses that preparatory work should ensure that adequate capacity and institutional backing is available in order to ensure effectiveness, reduce the number of irregularities as well as no additional administrative burden for contractors and for final beneficiaries;
- 14. Encourages multi-city projects and collaboration agreements in order to harness pooled capacities and economies of scale in EU investments in infrastructure, climate change and the green transition; believes that this process should lead to a greater sense of ownership of projects and the consolidation of investments, instead of fragmentation and lack of synergies;
- 15. Calls for the further involvement of the EIB Group in cohesion policy investments, especially in less developed regions through the provision of support to sustainable cities, sustainable energy and local innovation projects; calls for the expansion of the local project assistance and financial instruments that complement and leverage EU grants;
- 16. Insists on a critical review of Commission's ad hoc initiatives and the thorough screening of new initiatives; demands that this process is managed jointly and in partnership, with guaranteed representation of the local level, both of cities and rural areas; calls for limiting the number of Commission ad hoc initiatives, some of which prove to be of less use to the local level and might undermine the effectiveness overall cohesion appropriations planned in advance by scattering them; insists that every new Commission initiative must be accompanied by a corresponding budgetary top-up;
- 17. Calls for the creation of a mechanism for the early detection of red tape and actions in breach of or not effectively applying the multi-level governance principle; calls for the inclusion of the partnership principle in the European Semester; is convinced that the Commission and the ECA should have the right to follow-up, perform checks and make corrective recommendations;

0 0

18. Instructs its President to forward this resolution to the Council, the Commission, the European Economic and Social Committee, the European Committee of the Regions, and the national and regional parliaments of the Member States.