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ECONOMIC, SOCIAL AND TERRITORIAL COHESION

In order to promote its overall harmonious development, the European Union is strengthening its economic, social and territorial cohesion. In particular, the EU aims to reduce disparities between the levels of development of its various regions. Special attention is paid to rural areas, areas affected by industrial transition and regions that suffer from severe and permanent natural or demographic handicaps, such as the northernmost regions with very low population density, as well as island, cross-border and mountainous regions.

LEGAL BASIS

Articles 174 to 178 of the Treaty on the Functioning of the European Union (TFEU).

CONTEXT

Cohesion policy is the European Union's main investment policy. It provides benefits for all regions and cities in the EU and supports economic growth, the creation of jobs, business competitiveness, sustainable development and protection of the environment.

From its very beginning, there have been large territorial and demographic disparities in the European Community (now the European Union) which could constitute obstacles to integration and development in Europe. The Treaty of Rome (1957) established solidarity mechanisms in the form of two funds: the European Social Fund (ESF) and the European Agricultural Guidance and Guarantee Fund (EAGGF, Guidance Section). In 1975, regional aspects were introduced with the creation of the European Regional Development Fund (ERDF). In 1994, the Cohesion Fund was also created.

With the Single European Act of 1986, economic and social cohesion became a competence of the European Community. In 2008, the Treaty of Lisbon introduced a third dimension of EU cohesion: territorial cohesion. These three aspects of cohesion are supported through cohesion policy and the Structural Funds.

OBJECTIVES

Strengthening its economic, social and territorial cohesion is one of the EU's main objectives. It dedicates a significant proportion of its activities and budget to reducing the disparities among regions, with particular reference to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps.



The EU supports the achievement of these objectives through the use of the European Structural and Investment Funds (the ESF, ERDF, Cohesion Fund, European Maritime and Fisheries Fund (EMFF)), and the Just Transition Fund (JTF).

The European Social Fund, called European Social Fund Plus (EFS+) since 2021, is the Union's main instrument supporting measures which aim to prevent and combat unemployment, develop human resources and foster social integration in the labour market. It finances initiatives that promote a high level of employment, equal opportunities for men and women, sustainable development and economic and social cohesion.

The European Regional Development Fund helps to redress the main regional imbalances in the EU. It supports regions whose development is lagging behind, along with the conversion of declining industrial regions.

The Cohesion Fund provides a financial contribution to projects relating to the environment and to trans-European networks in the area of transport infrastructure. This fund may only be accessed by those Member States whose gross national income per inhabitant is lower than 90% of the EU average.

The Just Transition Fund (JTF) is a key tool for supporting the territories most affected by the transition towards climate neutrality and for preventing an increase in regional disparities. In order to achieve its objective, the JTF supports investments in areas such as digital connectivity, clean energy technologies, the reduction of emissions, the regeneration of industrial sites, the reskilling of workers and technical assistance.

To guarantee efficient use of the Structural Funds, the following principles have to be upheld:

- Organisation of the funds by objectives and regions;
- Partnership between the Commission, Member States and regional authorities in planning, implementing and monitoring their use;
- Programming of assistance;
- Additionality of EU and national contributions.

The allocation of the Union's financial resources devoted to cohesion policy is focused on two main goals:

- Investment for growth and jobs — aiming to strengthen the labour market and regional economies;
- European Territorial Cooperation — supporting EU cohesion through cooperation at cross-border, transnational and interregional level.

EU COHESION POLICY IN THE PERIOD 2021-2027

In the period 2021-2027, the EU's financing is derived from two sources: the 'classic' multiannual financial framework (MFF), which outlines the EU's annual expenditure limits, and the NextGenerationEU (NGEU) recovery plan, an extraordinary recovery initiative designed to aid Member States in their recovery from the COVID-19 pandemic.



Cohesion policy will be funded both through the MFF and, in certain cases, via the NGEU.

Resources for the 'Investment for jobs and growth' goal of cohesion policy will amount to a total of EUR 322.3 billion (in 2018 prices, meaning in terms of the value of the currency in 2018) and will be allocated as follows:

- a. EUR 202.3 billion for less developed regions;
- b. EUR 47.8 billion for transition regions;
- c. EUR 27.2 billion for more developed regions;
- d. EUR 42.6 billion for Member States supported by the Cohesion Fund (of which EUR 10 billion will be spent on the Connecting Europe Facility instrument);
- e. EUR 1 928 million as additional funding for the outermost regions;
- f. EUR 500 million for interregional innovation investments.

Resources from the ERDF for the 'European territorial cooperation' goal (Interreg) will amount to a total of EUR 8 050 million and will be distributed as follows:

- a. EUR 5 812 million for maritime and land cross-border cooperation;
- b. EUR 1 466 million for transnational cooperation;
- c. EUR 490 million for interregional cooperation;
- d. EUR 281 million for outermost regions' cooperation.

The new JTF, which supports the territories most affected by the transition towards climate neutrality and aims to prevent the growth of regional disparities will have a budget of EUR 17.5 billion. EUR 7.5 billion will come from the MMF and additional EUR 10 billion will come from the NGEU.

Another new instrument, ReactEU, was adopted in December 2020. It will act as a top-up for 2014-2020 cohesion programmes and will be additional to the cohesion allocations for 2021-2027. ReactEU will support the most important sectors in making a sound recovery following the COVID-19 crisis. Its allocation (until 2023) is EUR 47.5 billion.

In the period 2021-2027, the cohesion policy has five policy objectives for the ERDF, ESF+, the Cohesion Fund and the EMFF:

- A smarter Europe — innovative and smart economic transformation;
- A greener, low-carbon Europe;
- A more connected Europe — mobility and regional ICT connectivity;
- A more social Europe — implementing the European Pillar of Social Rights;
- A Europe closer to citizens — sustainable and integrated development of urban, rural and coastal areas through local initiatives.

The Common Provisions Regulation outlines the rules that must be followed in order to use these funds. In October 2022, the regulation was [amended](#) to facilitate the



use of cohesion policy resources by Member States and regions and to increase their flexibility in order to support measures to address the migratory challenges resulting from Russia's military aggression, introduced under the 2014-2020 and 2021-2027 programmes.

ROLE OF THE EUROPEAN PARLIAMENT

Parliament plays a very active role in supporting the strengthening of the EU's economic, social and territorial cohesion. The legislation relating to cohesion policy and the Structural Funds is prepared under the ordinary legislative procedure, in which Parliament has an equal say with the Council.

Parliament has been actively involved in the negotiations for the reform of cohesion policy for the 2021-2027 period. This reform defines the priorities and instruments of future EU action aimed at strengthening economic, social and territorial cohesion. Parliament has strongly supported the proposals for a wide-ranging and efficient cohesion policy, which also necessitate sufficient financial resources.

Parliament has also been vocal about using cohesion policy to fight climate change, for example through its [resolution of 25 March 2021 on cohesion policy and regional environment strategies in the fight against climate change](#). Parliament called for an increase in the use of green and blue investments in the framework of cohesion policy and called for greater synergies between different sources of funding at EU, national and regional levels. Moreover, Parliament adopted a resolution on 9 May 2023 on [the role of cohesion policy in addressing multidimensional environmental challenges in the Mediterranean basin](#). It suggests using cohesion funds to invest in technologies and infrastructure specifically designed to recover materials from residual waste to promote a circular economy and limit and manage increasing plastic pollution and household waste.

For more information on this topic, please see the website of the [Committee on Regional Development](#).

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