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. Among the regions concerned, special attention is paid to rural areas, areas affected by industrial transition, and regions which 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 mountain 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 Agricultural Fund for Rural Development (EAFRD) and European Maritime and Fisheries Fund (EMFF)) and other sources such as the European Investment Bank.

In 2014, the European Agricultural Fund for Rural Development replaced the Guidance Section of the European Agricultural Guidance and Guarantee Fund. Within the framework of the Union’s cohesion policy, the EAFRD supports rural development and the improvement of agricultural infrastructure.

The European Social Fund 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 is intended to help 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.

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.

Since 1988, the Union’s cohesion policy has seen a massive increase in its budget and has become, alongside the common agricultural policy, one of the most quantitatively significant Union policies. During the 2014-2020 programming period, the EU is allocating over EUR 350 billion to its cohesion policy, i.e. 32.5% of the overall EU budget. These funds will be spent on such varied activities as road-building, environmental protection, investment in innovative enterprises, job creation and vocational training. Almost EUR 200 billion will be allocated to the ERDF (including EUR 10.2 billion for European Territorial Cooperation and EUR 1.5 billion as a special
allocation for the outermost and sparsely populated regions). Over EUR 83 billion will be allocated to the ESF and EUR 63 billion to the Cohesion Fund.

PROPOSAL FOR THE POST-2020 EU COHESION POLICY

In May 2018, the Commission proposed regulations for the EU’s cohesion policy after 2020. One of the major goals of this reform is to simplify the procedures and to increase the effectiveness of EU investments. The eleven thematic objectives used in the 2014-2020 cohesion policy have been replaced by 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;
— Europe closer to citizens — sustainable and integrated development of urban, rural and coastal areas through local initiatives.

In response to the COVID-19 pandemic, the Commission modified its proposal to include new instruments that will prepare the European Union for the fight against the expected economic crisis. In July 2020, the European Council agreed on its position on the modified proposal, which will open negotiations with Parliament.

The Commission proposed financing the EU budget through an extensive package, combining the Multiannual Financial Framework (MFF) with an extraordinary recovery effort, ‘Next Generation EU’ (NGEU). The cohesion policy will be financed partly by the MFF and, in the case of some programmes, by the NGEU.

Resources for the ‘Investment for jobs and growth’ goal will amount to a total of EUR 322.3 billion 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 for the ‘European territorial cooperation’ goal (Interreg) will amount to a total of EUR 7 950 million and will be distributed as follows:

a. EUR 5 713 million for maritime and land cross-border cooperation;
b. EUR 1 466 million for transnational cooperation;
c. EUR 500 million for interregional cooperation;
d. EUR 271 million for outermost regions’ cooperation.

e. EUR 970 million for ETC - component for interregional innovation investments.

In February 2020, the Commission proposed creating a new Just Transition Fund (JTF), which supports the territories most affected by the transition towards climate neutrality and aims to prevent the growth of regional disparities. The proposed allocation of the JTF is EUR 17.5 billion.

In May 2020, the Commission proposed creating ReactEU, a new instrument that will support the most important sectors in making a sound recovery following the COVID-19 crisis. The proposed allocation for ReactEU is EUR 47.5 billion.

The proposed regulations are subject to the ordinary legislative procedure, in which Parliament is on an equal footing with the Council. This means that the two institutions will have to reach a consensus on the rules for the future cohesion policy before the end of 2020.

By April 2019, Parliament had completed first readings of the Commission’s proposals for the CPR, ERDF, Interreg and ESF+ regulations. The work on the recently presented proposals for the JTF and for the ReactEU regulations is ongoing.

**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 2014-2020 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.

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