Challenges for EU cohesion policy
Issues in the forthcoming post-2020 reform

SUMMARY
The debate on the shape of the post-2020 cohesion policy is well under way. Stakeholders have identified a number of principal issues or questions in this regard, relating to the operation of the policy itself as well as its impact and relationship with other EU polices and with the wider goals and objectives of the Union. One issue debated is how cohesion policy can best contribute to the twin objectives of competitiveness and cohesion. Finding the most efficient form of support is another important point of discussion: should it be grants, repayable assistance, financial instruments, or possibly a mix of all of these along with further thematic concentration? In addition, the way that cohesion policy addresses new or growing challenges such as migration has been raised.

Simplification of the policy for beneficiaries, flexibility, the importance of achieving better governance, and the contribution of cohesion policy to the EU’s economic governance are all widely debated. Other specific matters raised relate to the urban dimension in cohesion policy and the impact that the policy can have upon growth, jobs and innovation in sparsely populated areas, regions lagging behind and regions with special geographical characteristics.

The departure of the United Kingdom from the EU will have a significant impact on the EU budget and consequently on the financial envelope for cohesion policy. Finally, the European Commission (EC) has published a number of white papers on the future of the EU that provide further ideas for reflection on the overall functioning and priorities of the Union. These reflections also have repercussions for cohesion policy.

This briefing is an update of an earlier edition, published in February 2017.

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Introduction to cohesion policy

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

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

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

As the Article 50 procedure has been triggered by the United Kingdom (UK), the budgetary relations between the EU and the UK will need to be settled. The various scenarios evoked range from an exit bill covering outstanding liabilities under the common budget with no further participation in EU activities, to continued participation in a number of activities and associated contributions. Various academic studies provide accounts of the problems raised with the departure of the UK, and sketch out different budgetary scenarios for such a departure. Depending on the final scenario implemented, some outcomes from the Brexit process would have a serious impact on the EU budget whereas others would have a more manageable one.

Following the logic of the White Paper on the future of Europe, the reflection paper on the future of EU finances sets out five scenarios on the EU budget that are related to the state of European integration. Those focusing either on the EU 'carrying on as usual', some countries 'doing more' or on a 'radical redesign' are expected to allocate a lower share of spending to economic, social and territorial cohesion. The 'doing less together' scenario would cut back EU activities severely and would be expected to lead to a lower budget for these policies too. The only positive scenario in terms of financial allocations is the one that may follow after a boost in the EU's authority ('doing much more together') which will lead to a higher budget for economic, social and territorial cohesion. Therefore, the majority of the provisions set out in the paper point to reduced allocations for cohesion policy.

Economic governance and structural reform

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

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

A further linkage with the economic priorities of the EU is provided by Article 23 of the Common Provisions Regulation (CPR), which covers macroeconomic conditionality. It mentions that sanctions such as the suspension of cohesion funds can be used in order to reinforce compliance with excessive debt or budget inconsistencies by the Member States. Suspension of payments can be decided by the Council on the basis of a proposal from the Commission in the event that the Member State concerned fails to take effective action. For instance, in 2016, the Commission proposed to take measures against Spain and Portugal due to the countries’ failure to address the excessive government deficit. However, no sanctions were levied and the proposal was shelved in November 2016. The issue of macroeconomic conditionality has proved to be a divisive one as it has brought to the fore tensions between net contributor and net recipient Member States. Poorer Member States suggest that it is essential that the EU not lose sight of the original role and objectives of cohesion policy and its importance as an instrument for maintaining investment in Europe’s regions, particularly in times of economic crisis and instability.

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

**Flexibility: focus on new policy challenges**

A number of new policy challenges such as immigration may weigh heavily on the future priorities of cohesion policy. The White Paper on the future of Europe claims that digital revolution, globalisation, demographic change, social cohesion, economic convergence and climate change to remain high on the EU agenda. However, a key question is whether any specific amounts will be clearly earmarked for all the above-mentioned challenges in the post-2020 cohesion policy. As happens with any re-allocation of resources, the justification for their scope is not an easy task as it can only be drafted after reaching broad political consensus.
Promoting resilient economies in a globalised era through digitalisation and innovation is another EU priority. In 2015, the Commission presented the **Digital Single Market strategy**, which aims to open up digital opportunities for people and businesses. According to this strategy, regions and cities can explore various **ICT initiatives** and become active in planning and pursuing their own digital strategies. However, there are still considerable differences in digital performance amongst EU Member States and regions, with many eastern and southern regions scoring low on the EU's **Digital Agenda Scoreboard**, which measures connectivity, human capital, use of internet, integration of digital technology and digital public spaces. Related to digital innovation is also **smart specialisation**, which provides a path for innovation-driven differentiation and economic transformation, building on local assets and comparative strengths. However, although having in place a research and innovation strategy for smart specialisation (**RIS3**) has become a prerequisite for receiving ERDF funding, not all EU regions have managed to explore smart specialisation opportunities successfully. The EU **Regional Innovation Scoreboard** suggests that innovation excellence continues to remain concentrated in only a small number of regions.

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

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

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

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

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

Improving waste management could also deliver positive effects for the economy. As part of a shift towards a circular economy, the European Commission has made four legislative proposals introducing new waste-management targets regarding reuse, recycling and landfill, strengthening provisions on waste prevention and extended producer responsibility, and streamlining definitions, reporting obligations and calculation methods for targets. Quite a lot of this legislation will affect the way LRAs collect and process waste. Networks of cities and regions can work together in order to learn from
each other and to exchange good positive examples. They can form common initiatives
for instance in order to protect the environment. Various initiatives have already been
taken at local and regional level to promote environmental causes; these include the
Covenant of Mayors for climate change and energy.

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

**Performance and simplification**

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

**Simplification**

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

In order to tackle these issues, in 2015 the European Commission set up a high-level group
with the main task of advising the Commission on how to simplify and reduce the
administrative burden for the beneficiaries of the five ESIFs. The group made
recommendations on improving the implementation of simplification measures for the
post-2020 period. It argued in part that projects financed by cohesion policy should not receive more restrictive treatment than similar projects under central EU management. It suggested that the principle of equal treatment should apply to the financial instruments irrespective of whether they are implemented by the European Investment Bank or national promotional banks. Cohesion policy should be also based on shorter regulations and fewer guidelines. It claims that in order to prevent new rules from piling up every new requirement should be compensated for by abolishing another requirement instead. Cohesion policy-funded programmes should be more easily modifiable. When it comes to auditing, fewer rules should apply. The extension of the single audit principle is also recommended.

Thematic concentration
Thematic concentration was an issue in the previous programming period (2007-2013) and led to the establishment of core thematic objectives that derived from the Europe 2020 strategy and linked to a set of headline targets. In the current 2014-2020 programming period, resources have been redirected to priorities contributing to growth and jobs. Minimum shares of total funding have been established for the core thematic objectives. The current programming period has also seen an increase in resource allocation for research and innovation, SMEs, information and communications technology (ICT), the low-carbon economy, employment, social inclusion, education and administrative capacity. On the other hand, support for basic infrastructure, climate change and the environment has decreased. However, the allocations for climate change and the environment, considered together with those aiming to facilitate a shift to a low-carbon economy, do show an increase. It may be the case that efforts to increase concentration in fewer thematic areas will persist in the post-2020 period. However, although thematic concentration may be seen as a way to increase the effectiveness of funds, it also leads to re-allocation of resources, which always requires careful planning.

Financial instruments and the European Fund for Strategic Investment
Regulations provide flexibility for Member States and managing authorities when designing programmes, both to choose between delivering investment through grants and financial instruments (FIs), and to select the most suitable financial instrument. Financial instruments provide support for investment by way of loans, guarantees, equity and other risk-bearing mechanisms, possibly combined with technical support, interest-rate subsidies or guarantee-fee subsidies within the same operation.

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

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

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

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

The urban agenda
Cities, towns and suburbs are home to more than 70% of the EU's population, and constitute major hubs of economic growth. Certain EU policy targets, such as the Europe 2020 ones for smart, green and inclusive growth, rely heavily on the involvement of urban areas in implementing them. Bridging the rural-urban divide is also a point of concern for various cohesion policy-makers.

The 2014-2020 programming period has put the urban dimension at the heart of cohesion policy. At least 50% of the ERDF resources for this period will be invested in urban areas. Various policy innovations in this programming period also highlight the important role of urban areas for the EU. For instance, Article 7 of the ERDF Regulation provides that at least 5% of ERDF resources allocated at national level under the investment for jobs and growth goal must be earmarked for integrated actions for sustainable urban development.

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

**Regions lagging behind**

So far, cohesion policy has benefited all EU regions, while offering additional support to regions with lower-than-EU-average gross domestic product rates. As such, it is a universal policy that covers — albeit to different degrees — all EU citizens. Most EU cohesion funding is addressed to less developed and transition regions. The small size of the EU budget means that the funding that regions receive from it has a limited, but not insignificant, impact. Nevertheless, some EU regions have not been able to fully grasp the advantages of the investment opportunities on account of effects of the economic crisis and structural problems. Regions that are lagging behind or suffering low growth are usually regions from eastern or southern European countries. The latter have lower than EU average GDP, despite benefitting from many years of European and national funding. Many of them have also been hard hit by austerity policies aimed at bringing the economies of their respective countries into shape. While increasing their funding allocations seems like a logical solution, it is not a panacea for all their problems. An analysis by Willem Molle (Erasmus Universiteit Rotterdam) suggests that southern European regions will have sluggish growth on account of a lack of proper governance, or their predominant investment choices (for instance, heavy investment in roads and/or infrastructure). He claims that a possible way out of this vicious circle would be to introduce a conditionality check on quality governance, coupled with increased efforts to improve governance quality in convergence countries. In order to help these less-developed regions catch up, the European Commission has launched an initiative on regions that are lagging behind. Its aim is to analyse what holds back growth in less-developed regions and to provide recommendations and assistance on how to unlock their growth potential.

**Regions with special geographic characteristics**

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

The use of indicators is of extreme importance as it determines who benefits from cohesion policy funding. Until now, cohesion policy funds have been allocated through a system of calculation of regional GDP per head rather than on the basis of other indicators capturing social progress. Figure 1 shows the EU NUTS regions according to GDP level. The NUTS classification is used for defining regional boundaries and determining geographic eligibility for structural and investment funds. Regional eligibility for ERDF and ESF funding during the 2014-2020 programming period was calculated on the basis of regional GDP per inhabitant (averaged over the 2007–2009 period). In addition, the Cohesion Fund covers Member States whose gross national income (GNI) per inhabitant is less than 90 % of the EU average. NUTS 2 regions were ranked and split into three groups:

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

Changes in Member States' GDP levels have had a serious impact on the regions, some of which have suffered significantly. The recent changes in regional GDP levels may be another incentive to suggest that alternative indicators are necessary in order to depict the real issues and problems that European regions are facing. Various methods complementary to GDP have been presented. The draft version of the EU regional Social Progress Index (SPI), released in October 2016 aims to measure the social progress of 272 European regions as a complement to traditional measures of economic progress. Furthermore, speaking at the Committee of the Regions plenary session on 11 February 2016, Commissioner Creţu supported the idea of including new indicators in cohesion policy, in addition to that of GDP. In particular, she mentioned the Europe 2020 index, the OECD indicators on well-being, those on regional competitiveness, as well as the Human Development Index (HDI).

The view of the European Parliament

In June 2017, the European Parliament adopted a resolution (2016/2326) on building blocks for a post-2020 EU cohesion policy (rapporteur: Kerstin Westphal, S&D, Germany). The Parliament considers it essential that cohesion policy should have an adequate budget and that the consequences of Brexit should not lead to its weakening. It strongly opposes any scenario for the EU27 by 2025, as contained in the White Paper on the Future of Europe, that would scale down the EU’s efforts in relation to cohesion policy. It stresses the importance of shared management under the partnership principle and
regrets the late adoption of various operational programmes. It notes that the current European territorial cooperation budget does not match the great challenges facing Interreg programmes nor does it effectively support cross-border cooperation. Parliament underlines that the current categorisation of regions demonstrates the value of cohesion policy. It considers the creation of a reserve an interesting option in this context to address major unforeseen events. The importance of ex-ante conditionalities, such as research and innovation strategies for smart specialisation, is also highlighted. Parliament opposes macro-economic conditionality and highlights that the link between cohesion policy and economic governance processes within the European Semester must be balanced. It highlights the need to simplify the cohesion policy's overall management system. The EP believes that grants should remain the basis of the financing of cohesion policy and calls on the Commission to ensure better synergies and communication between and about the ESI funds and other Union funds and programmes, including EFSI.

Combatting unemployment remains a priority. Cohesion policy should continue to care for the vulnerable and marginalised, addressing growing inequalities and building solidarity through investments in education, training and culture. Partnerships between rural and urban areas, RIS3 and climate change mitigation are also seen as issues that can be tackled through cohesion policy. The resolution welcomes the Pact of Amsterdam and the recognition accorded to cities in European policy-making. The reception of migrants and refugees as well as their social and economic integration should also be addressed through current and future EU cohesion policy. Lastly, Parliament calls on the Commission to start preparing the new legislative framework in good time so that the post-2020 cohesion policy can be implemented at the start of the new programming period.

The view of the Committee of the Regions

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

Outlook

It is still early to predict where the debate on the future of cohesion policy may lead. Various issues relating to the future multiannual financial framework may lead to budgetary losses for cohesion policy. Some of the issues mentioned in this briefing require changes in the technical procedures of cohesion policy, whereas others are of a more political nature and may lead to intensive debates. The appearance of new political priorities means that further flexibility in funding may be required in cases of emergency – for instance, the adoption of urgent measures to deal with immigration flows that may lead to a quantitative change in the ESI funds. However, possible reallocations of funds through a re-prioritisation of policy targets may open up the debate between net
contributing and net receiving Member States, or between different political agents who would like to defend their domains from a possible loss or transfer of funds. Furthermore, by allowing transfers of money, cohesion policy may be seen as a flexible source of money that can easily be re-directed to new issues every time political priorities are altered. As various elements of cohesion policy will be questioned by the more sceptical European actors, convincing answers will be needed regarding the effectiveness and the added value that this policy has produced so far. In addition, the emergence of EFSI as a major Juncker Commission priority may also lead to a conflictual relationship with the ESI funds.

Main references


Margaras, V., EFSI and ESI funds – Complementarity or contradiction?, EPRS, 2017.


Endnotes


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

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

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