



Issue paper 1

Cohesion Policy and the European Growth Model

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The Group of High Level Specialists on the Future of Cohesion Policy

The European Commission, the Directorate-General Regional and Urban Policy (lead) and the Directorate-General Employment, Social Affairs and Inclusion (associated) have set up a Group of High Level Specialists on the Future of Cohesion Policy Group. The Group includes high-level specialists, including academia, politicians, socio-economic partners, and representatives of civil society. The Group will meet nine times throughout 2023. It will offer conclusions and recommendations that will feed the reflection process on future Cohesion Policy, including by contributing to the 9th Cohesion Report, the mid-term review of Cohesion Policy programmes and the post-2027 cohesion policy legislative proposals.

Disclaimer

This paper is an independent input to the reflection paper. The opinions expressed in this paper are the sole responsibility of the authors and do not represent the official position of the European Commission.

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Directorate-General Regional and Urban Policy
Directorate B - Policy
Unit B.1 — Policy Development and Economic Analysis

E-mail: : REGIO-FUTURE-COHESION-POLICY@ec.europa.eu
Commission B-1049 Brussels

Issue paper 1:

Re-examining and reshaping the role of Cohesion Policy in the context of challenges to European integration and development of the European Growth Model

1 Background and objectives

Cohesion Policy supports harmonious development within the European Union, strengthening economic, territorial and social cohesion. This involves fostering regional convergence by addressing internal disparities through investments to enhance endogenous growth potential in less developed regional economies in the EU. In addition, Cohesion Policy aims to improve employment opportunities and facilitate workers' adaptation to industrial and production system changes. It provides support and incentives for many public goods, in coherence with the EU political agenda and contributing to the development of the European Growth Model, in line with the European Pillar of Social Rights.

The effectiveness of Cohesion Policy in delivering on EU objectives has been consistently demonstrated, notably through past Cohesion Reports and evaluations. These have showcased the catching-up process of less developed regions, driven by productivity gains.

However, Cohesion Policy is sometimes perceived as a mere redistribution policy and its results are not always appropriately understood. Criticisms include persistent disparities, notably within Member States, difficulties to adequately help regions locked in development traps and the failure of some regions to catch up despite significant support from Cohesion Policy over the decades.

One important factor in this context is the interaction between EU horizontal policies and Cohesion Policy in delivering regional convergence through territorially targeted measures alongside Treaty objectives. Another is the interaction between national policies and Cohesion Policy. The way EU priorities are broken down at regional and local level is key for successful place-based development strategies. At the same time, national policies cannot entrust the role of promoting regional development and national convergence to Cohesion Policy solely. In addition, the recent use of Cohesion Policy support for crisis measures, including increased flexibility, raised questions regarding the right balance between short- and long-term objectives of the policy.

Partly linked to the above, there is a perception that Cohesion Policy has become more complex over time, making it difficult for beneficiaries and citizens to understand and grasp its mission and impact.

In this regard, there is a need to look at ways to redesign Cohesion Policy in the context of the European Growth Model as well as current and emerging challenges. These notably include the transition to climate neutrality, digitalisation and innovation, as well as the consolidation of a competitive European economy given the open strategic autonomy required by current geopolitical trends.

This note aims to critically address the objectives of Cohesion Policy and its broad role of supporting overarching EU priorities, territories and people.

2 The role of Cohesion Policy in supporting EU priorities

The Treaty defines the aim of the policy to strengthen the Union's economic, social and territorial cohesion, and in particular to reduce disparities between regions. This should contribute to European integration by ensuring that the benefits of participation in the single market are harmoniously distributed across all regions.

At the same time, Cohesion Policy also advances implementation of the EU political agenda. This includes fostering the green and digital transitions while supporting all regions and people to contribute to the internal market and the competitiveness of EU value chains. This also involves ensuring that the transitions take place fairly, leaving no person and no region behind.

Cohesion Policy also plays an important role in stabilising public investment and protecting the most vulnerable, particularly during economic slowdowns, and when Member States' economies are exposed to external shocks leading to crises. These notably include the financial and economic crisis, the pandemic and Russia's war against Ukraine.

Cohesion Policy has progressively integrated multiple objectives that are sometimes difficult to reconcile because of their differences, territorial impact and timeframe. The impact of Cohesion Policy tends to be judged not only on its contributions to these multiple objectives, but especially to economic growth and convergence. Equally important are its effect on long-term competitiveness, its contribution to the green and digital transitions and its role in post-crisis recovery.

In this fast-changing, multidimensional, global and European environment it is ever more important to define and refine what the policy should achieve in terms of convergence, and what contributions the policy can provide to wide-ranging EU objectives. In this context:

- Does the policy's approach of contributing to multiple objectives and of being a key tool to deliver EU sectorial policies need revisiting? Should the policy be focussed instead on territorial and social needs within more limited EU priorities?
- Or, by contrast, should Cohesion Policy put a stronger emphasis on contributing to the delivery of EU level objectives and policies? Could there be a definition of European common goods that the policy should contribute to? And how

should this be achieved compared to existing Cohesion Policy mechanisms and its place-based approach?

3 The role of Cohesion Policy in supporting EU territories and people

As Cohesion Policy has progressively integrated multiple objectives, it has also widened its territorial focus to fully cover the EU territory. This could contribute to the perception of Cohesion Policy as a 'compensatory policy', cushioning the effects of many sectoral policies and enabling regions to improve their preconditions for economic growth alongside fair green and digital transitions.

In parallel, the focus has shifted from disparities between Member States and their regions to a more in-depth approach addressing territorial, economic and social disparities and challenges in a more granular manner. For example, a new instrument has been added – the Just Transition Fund – to mitigate the socio-economic impact of a net-zero economy in the most fossil-fuel dependent and/or carbon-intensive EU regions.

At the same time, social cohesion is confronted with increasingly prominent challenges. A large share of the EU population is at risk of poverty or social exclusion, often in the poorest regions of the EU but also in and around rich urban agglomerates. In addition, youth unemployment and child poverty remain high throughout the EU. Especially in the context of demographic trends, of the green and digital transitions and the related need for new or upgraded skills, unequal opportunities can have a detrimental effect on regional, national and EU long-term growth and competitiveness.

Consequently, and in line with the ambition to bring the EU closer to citizens and to leave no one behind, more attention needs to be paid to people and the unequal opportunities faced by many.

Regarding these multiple objectives and challenges:

- Should Cohesion Policy put more focus on particular types of territories, potentially below NUTS2 level?
- Should Cohesion Policy cover all Member States and regions, or focus only on Member States or regions lagging behind?
- Should it differentiate more in terms of financial support, modalities of support, budget management, objectives and investment?
- Should the funds in Cohesion Policy follow the same approach or should they be more differentiated?
- Should Cohesion Policy focus more on the needs and opportunities of certain types of individual or societal groups?