

The future of cohesion policy

Current state of the debate

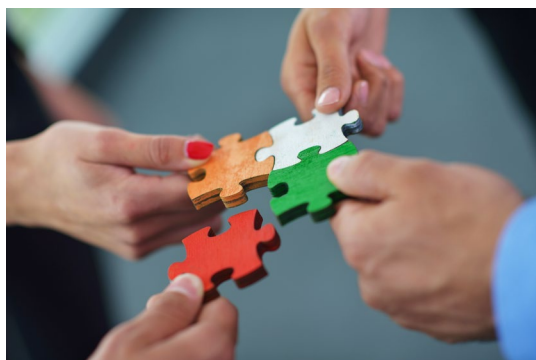
SUMMARY

Discussions on the next EU multiannual financial framework are expected to begin soon. These talks on the allocation of future budget resources have a direct impact on all European Union policies, including EU cohesion policy. A reflection on the future of cohesion policy is underway, engaging EU institutions and advisory bodies, EU Member States, regional and local authorities, and stakeholders. The European Commission set up a high-level group of specialists to examine the direction of cohesion policy, which came up with a number of conclusions in March 2024. These conclusions fed into the ninth report on economic, social and territorial cohesion, which acts as a compass for the Commission's reform options for the future design of cohesion policy. Nevertheless, there are still some crucial decisions ahead.

This reflection process not only entails technical matters, but also touches upon many other policy issues, some of which have highly political content. Negative scenarios for the cohesion budget, competing thematic priority allocations, a possible recentralisation of funds, or the future relationship with the Recovery and Resilience Facility, all have the potential for political friction. Issues requiring discussion include simplification and flexibility, better coordination of European Structural and Investment Funds with other instruments, and a more focused 'place-based' approach to cohesion policy. Local and regional authorities across all EU Member States highly value and support EU cohesion policy. However, political division between budget net-recipient Member States and net contributors could lead to cohesion policy being contested, especially in the light of new emerging priorities for the EU (e.g. in immigration, security and defence, or enlargement).

The appointment of a new College of Commissioners on 1 December 2024 and the beginning of a new legislative process provide a unique opportunity for regional and local stakeholders to influence national positions and those of the European institutions at an early stage.

This is an update of an October 2023 [briefing](#) by Balazs Szechy.



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Background

Cohesion policy targets all regions and cities in the European Union, to support job creation, business competitiveness, economic growth, sustainable development and improve citizens' quality of life. To reach these goals and address the diverse development needs in all EU regions, €392 billion – almost a third of the total EU budget – has been set aside for cohesion policy for 2021-2027.

The objectives relating to cohesion policy are set out in Articles 174 to 178 of the Treaty on the Functioning of the European Union (TFEU). Article 174 establishes the overall objective of strengthening the Union's economic, social and territorial cohesion, stipulating that the EU must aim to reduce regional disparities and bring least-favoured regions to a higher standard of living. Among the regions concerned, particular attention is to be paid to rural areas, those affected by industrial transition, and regions that suffer from severe and permanent natural or demographic handicap, such as northernmost regions with a very low population density, island, cross-border and mountainous regions.

European Union institutions and advisory bodies' views

European Commission

High-Level Group on the Future of Cohesion Policy

The European Commission established the High-Level Group on the Future of Cohesion Policy. Its work focused on the effectiveness of cohesion policy, with a view to tackling the multiple challenges identified in the [8th Cohesion Report](#), from the innovation divide to demographic change, and how the policy will support a fair digital and green transition and regional recovery and growth. The final [report](#) of the high-level group, presented on 20 February 2024, underlines that cohesion policy is the EU's primary investment policy aimed at promoting economic, social, and territorial development, particularly in regions with lower levels of development or specific vulnerabilities. The policy has been instrumental in driving social and economic progress across the EU for over three decades. However, the EU now faces new structural challenges, such as a decline in competitiveness, economic and territorial polarisation, and social exclusion. The EU's global economic share has fallen, and many citizens live in less developed regions, or regions with stagnant GDP growth. Cohesion policy is essential to addressing these issues, as it taps into the full potential of all the EU's regions and citizens, promoting economic convergence and equality of opportunities.

The report argues that cohesion policy must evolve to effectively tackle the EU's structural challenges and improve its citizens' wellbeing. It should focus on mobilising untapped economic potential, particularly in less developed regions or in regions in a development trap, reducing disparities, and strengthening the social economy model. The policy should be customised to regional needs, promote innovation, and facilitate territorial ecosystems conducive to sustainable development. To achieve these goals, cohesion policy needs to become more place- and people-based, improve institutional capacity and governance, reinforce shared management, and become more performance-based with a focus on results. Cohesion policy should also interact with other EU and national policies to ensure collective goals are met, including the green, digital, and demographic transitions. The report also highlights the importance of cohesion policy in the integration and development of candidate countries for EU enlargement, ensuring that new Member States align with EU standards and objectives without neglecting the needs of current EU regions. Overall, the report calls for a reformed policy that is proactive (rather than in crisis mode), development-focused, and capable of addressing the EU's current and future challenges. Many of these strategic conclusions fed into the 9th Cohesion Report.

9th Cohesion Report

The European Commission's [9th Cohesion Report](#) (March 2024) provides an overview of some of the issues facing EU cohesion policy and dominating the current debate on its future. It mentions that lessons learned from past implementation underline the need to further improve cohesion policy design, to modernise and strengthen EU action. The report states that considerable economic disparities persist across the continent. More than 1 in 4 people in the EU (28 %) live in a region with per capita GDP below 75 % of the EU average. A centre/periphery dichotomy prevails in many economic and social indicators. Economic development in many Member States continues to be driven by the competitiveness of capital regions and major agglomerations. Several EU regions are still struggling with challenges that do not necessarily fit a single, uniform category. EU cohesion policy therefore needs to provide more, and more specific, 'place-based' approaches to EU regions and municipalities to address their unique problems. Map 1 shows the GDP per head (PPS) of NUTS2 EU regions. Many EU regions in darker shades of blue are below the EU average.

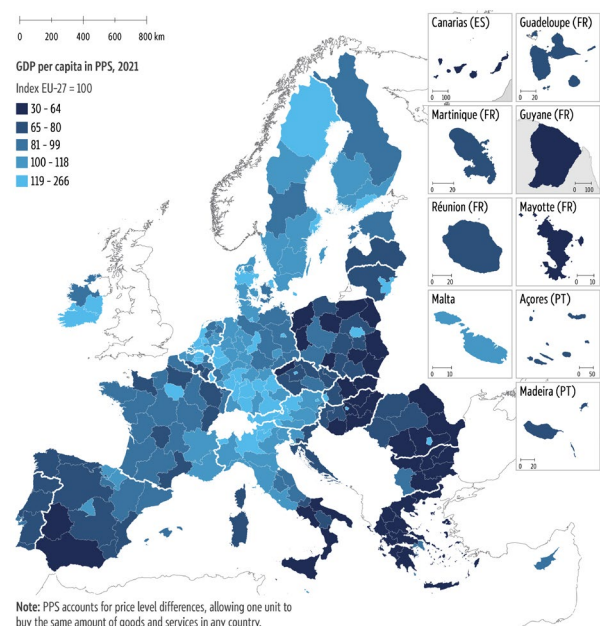
According to the report, over time, EU cohesion policy has also acted as an economic stabiliser, a source of support and investment during the financial crisis and, more recently, during the pandemic and Russia's war of aggression against Ukraine. However, while cohesion policy's contribution to the EU's response to the socio-economic fallout of the pandemic and of the war in Ukraine was crucial, its main focus must remain on achieving the EU's long-term structural objectives.

All European regions are affected by population change (e.g. rapid ageing, declining birth rates). However, demographic decline has a more direct impact on certain regions than others. Many border, remote, rural, insular and mountainous regions continue to lose considerable portions of their population, in particular seeing many of their younger and highly educated inhabitants moving away to seek a better future (brain drain). The demographic decline currently evident in many European regions is expected to further exacerbate labour shortages. Labour and skills shortages have become a major challenge in a variety of occupations and sectors across all skills levels.

The 9th Cohesion Report states the green and digital transitions bring new opportunities and are necessary to maintain EU competitiveness in the future. However, both require structural change, which needs to be accompanied by supporting policies and measures. A number of EU regions still lag behind on implementing green transition measures. Furthermore, levels of digital connectivity, IT skills, resources and personnel vary widely from region to region, hindering further economic and social development. Both transitions also have a social impact, for instance, certain sectors are heavily dependent on fossil fuels and are likely to be affected by job losses or restructuring, thus leading to social discontent. All sectors of the population need to be able to reap the benefits from this twin transition and provide assistance for communities to make the shift to a new economic reality.

Climate change and its potentially dire consequences is another topic covered in the report. The frequency and severity of weather-related disasters – extreme temperatures, storms, inland and

Map 1 – GDP per head (PPS) 2021



Data source: Eurostat (nama_10r_gdp).

coastal flooding, droughts and wildfires – are increasing. These weather phenomena contribute to major natural disasters that have devastating consequences for considerable areas, causing severe environmental as well as human, social and economic problems. Climate change therefore also risks increasing regional inequalities. Mitigating climate change and improving the quality of the environment demands a rapid reduction in greenhouse gas and air pollutant emissions in all sectors, including through the circular economy and restoring ecosystems.

Russia's war on Ukraine, as well as the long-running war in Syria, have seen a number of border regions exposed to considerable waves of immigration. The report notes some southern peripheral and outermost regions, exposed to particular migratory pressure, or experiencing an increase in irregular arrivals, require targeted and continuous support.

The report also highlights the need for respect for the rule of law, and quality administrative capacity in maximising the return on public and private investment for citizens. Good governance is a precondition for effective and efficient design and implementation of any development strategy, and more generally for regional economic and social progress. Further structural reform is needed to remove obstacles to regional development – whether specific investment barriers, regulatory obstacles or measures to improve the functioning of the labour market and the business environment.

The report mentions that delays in programming and implementation of cohesion policy programmes (e.g. back-loading of financial implementation, coupled with administrative shortcomings in some Member States and regions) show that the cohesion policy delivery mode requires improvement. This could be achieved by ensuring further simplification for administrations and beneficiaries. In this respect, the Recovery and Resilience Facility ([RRF](#)) experience has also provided invaluable lessons for the future design of EU funding instruments. The mid-term evaluation of the RRF has also provided useful input. The associated consultations show broad support for performance-based funding instruments at EU level, such as the RRF. In addition, the EU Member States' set up recovery and resilience plans with clear deliverables, addressing both EU policy priorities and country-specific challenges. However, local and regional authorities have raised the issue of their insufficient involvement in the RRF.

Finally, to further stimulate regional growth and convergence the report mentions the need to explore how the link between investment and reform could be strengthened to maximise cohesion policy impact. Reflections should cover the scope of the reforms needed, the role of the [European Semester](#), and the coordination between European, and national and regional policies.

Appointment of a new Commission

The approval of the new European Commission by the European Parliament confirmed the appointment of [Rafaella Fitto](#) as Executive Vice-President for Cohesion and Reforms. His [mission letter](#) states his main priorities for the new legislative term, including to frame a stronger and more modern cohesion and growth policy (in cooperation with national and regional authorities), aligned with the EU's wider priorities, and mobilising more focused, simpler and more impactful reform and investment. Perennial regional disparities should be tackled by providing tailor-made solutions to regional and local challenges, helping left-behind regions to catch up and improving Europeans' quality of life. Through cohesion policy instruments that cover non-EU countries, the vice-president will also have a role to play in the future enlargement process.

An ambitious policy agenda for cities should be put in place to seek solutions close to citizens' needs, such as housing, climate action, digitalisation, mobility, social inclusion and equality. The specific economic and social challenges facing islands (housing, transport, water and waste management) and the EU's outermost regions are also mentioned. A particular focus is the need for support to enable European citizens who wish to remain in their home areas to do so. Considerable attention is to be paid to the different geographical areas and their special needs. People in Europe's regions – whether in cities, coastal communities or rural areas – should have real opportunities to help drive

growth and productivity across Europe. The vice-president should tackle regional disparities by providing tailor-made solutions and strive to achieve an 'effective right to stay' in the place they call home for all EU citizens, by helping to provide what each community needs: public services, education opportunities and skills, health, transport and digital connectivity. In terms of EU citizens' quality of life, the portfolio also includes contributing to the European affordable housing plan, which seeks to inject liquidity into the housing market and help Member States to double cohesion policy investment in affordable housing.

European Parliament

Parliament's Committee on Regional Development (REGI) played an influential role in preparing a number of pieces of legislation adopted during the 2019–2024 legislative term. The first achievement at the beginning of that period was the adoption of the [legislative package on cohesion policy \(2021–2027\)](#), which allowed EU cohesion legislation to enter into force from 1 July 2021, at the onset of the COVID-19 pandemic. The REGI committee's own-initiative reports during the term dealt with the role of cohesion policy in the fight against climate change, EU border regions, challenges of cross-border cooperation, reshaping structural funds to support regions affected by challenges related to automotive, green and digital transition, harnessing talent in European regions, cohesion policy in promoting smart transformation and ICT connectivity, and demographic challenges.

In its [resolution](#) on 2014–2020 EU cohesion policy and its implementation and outcomes in the Member States, the Parliament gave an overview of cohesion policy achievements, insisting that cohesion policy should remain the EU's main investment instrument for reducing disparities, ensuring economic, social and territorial cohesion, and stimulating regional and local sustainable growth. It regretted the reduction in the share of the 2021–2027 MMF dedicated to cohesion, compared with the previous programming period. Parliament insisted that cohesion investment should remain under shared management for programming and implementation, to allow a response to Member State, regional, urban, rural and remote areas' needs. The resolution expressed disappointment that delays in the MFF negotiations led to considerable delays in funding during the 2021–2027 programming period, and called on the Commission to assess the legal possibility of creating a distinct division within the Common Provisions Regulation, between content (political) and the MFF (financial resources), for the post-2027 programming period.

Parliament also called on the Commission, the Member States and regional authorities to use and enhance existing mechanisms to detect and fight irregularities, fraud and corruption in cohesion policy funding. It acknowledged the need for built-in crisis flexibility and proposed the creation of a dedicated axis for local and regional authorities to address emerging priorities. Parliament called for the post-2027 cohesion policy regulations to take 'rule of law' aspects fully into consideration when approving partnership agreements and cohesion policy programmes and to introduce strict criteria to improve the application of the 'do no significant harm' principle of cohesion policy. The resolution called to use and enhance existing mechanisms to detect and fight irregularities, fraud and corruption in cohesion policy funding. Parliament also considered further streamlining of the architecture of EU funding instruments should be achieved across the Cohesion Fund, the ERDF, the ESF+ and the Just Transition Fund, and possibly extended to the EAFRD, as it should be covered by the Common Provisions Regulation. Such streamlining would further simplify programming and implementation of the policy, enhance its visibility and effectiveness, and improve beneficiaries' access to funding.

Furthermore, Parliament called on the Commission to continue to prioritise tackling climate change mitigation and adaptation, biodiversity loss and protection of the environment, including better water and waste management, resource and energy efficiency, disaster resilience and risk prevention and management. Another demand was to guarantee better access to funding for local and regional authorities, and for cross-border and less developed regions, as well as to ensure every new Commission initiative is accompanied by a corresponding budgetary top-up. Stressing that disproportionate burdens, such as the inherent structural disadvantages faced by all border regions,

should be compensated with a separate system for regional aid designed specifically for border regions, Parliament demanded that 0.26 % of the EU's cohesion policy budget be reserved exclusively for development in the border regions ('borderland billion') at the beginning of every new programming period, starting with 2028–2034.

Council of the European Union

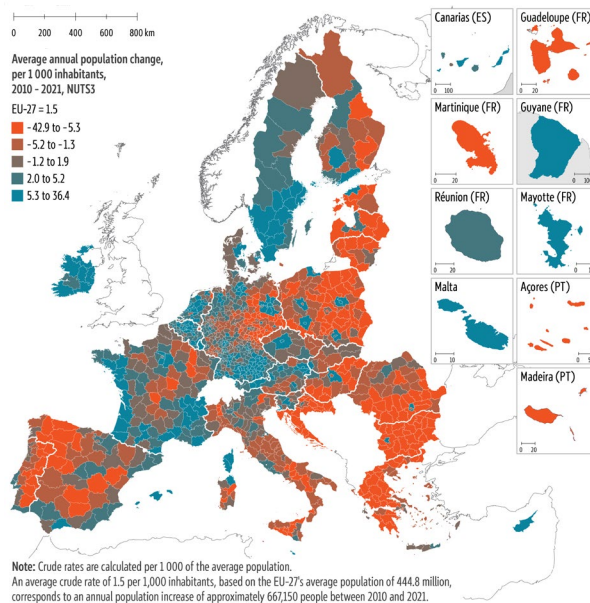
The Council's [conclusions](#) welcome the findings of the 9th Cohesion Report and mention a number of emerging challenges (e.g. the green/digital transitions, climate change, migration, global competition, competitiveness, connectivity, supporting EU strategic autonomy, and geopolitical instability). They express concern regarding demographic challenges that are exacerbating skill and labour shortages and youth unemployment, especially in rural and remote regions and those exposed to severe natural disadvantages, which suffer from depopulation and brain drain as well as the over-concentration of activity in urban areas. The Council highlights the importance of a polycentric development model and building on urban-rural linkages and considers that any future EU enlargement will have implications for cohesion policy. It invites the Commission to consider appropriate ways for post-2027 cohesion policy to provide tailored support for regions to successfully manage those challenges, with particular focus on the green, digital, industrial and demographic questions and the uneven levels of socio-economic development.

The Council conclusions reaffirm that cohesion policy, as a place-based policy underpinned by shared management, must be tailored to regions' needs, specific challenges and vulnerabilities, enabling them to carry out investment and reform at the most appropriate level. The increased role of cohesion policy in contributing to the European Semester is also acknowledged. The structural and economic situation of the outermost regions (Article 349 TFEU) is underlined, as well as the European Territorial Cooperation (Interreg) programme's contribution to achieving more balanced territorial development through better cooperation across regions and borders. The Council stresses the need for cohesion policy to work together with other relevant policies and initiatives, including at national and regional levels, beginning with the design phase, and emphasises the importance of simplifying cohesion policy for beneficiaries and programme authorities. It recalls the need for harmonisation and proportionality in controls and audits, while maintaining high standards for the prevention of and the fight against fraud and corruption at all levels, as well as the need to strengthen the application of the principle of single audit. It stresses that good governance, strong institutions, respect for the rule of law and strong administrative capacity are important for the effective and efficient design and implementation of cohesion policy. It underlines the opportunity of reflecting on ways to make cohesion policy more performance-based, with a view to enhancing efficiency, building on experience and lessons learned from other EU instruments. Finally, it asks the Commission to develop proposals aimed at adapting cohesion policy in line with its role as the long-term framework for regional development, underpinning the EU growth model and building on its distinctive strengths – shared management, multi-level governance, a place-based approach and the partnership principle.

The Council [conclusions](#) on the role of cohesion policy in addressing demographic challenges (28 November 2024) recognise that cohesion policy has been one of the most important EU instruments in tackling demographic challenges. It underlines that that policy responses to demographic challenges should be in line with the strategic priorities of the EU, while also based on local and regional realities, and designed and implemented with the active involvement of national, regional and local authorities and that cohesion policy should continue to play a pivotal role in tackling these challenges. It considers that effectively addressing demographic challenges requires a holistic approach and a comprehensive set of measures under cohesion policy, especially in less developed regions. It invites the Commission to explore future areas of support that are relevant to addressing demographic change. It states that given the lack of an overarching approach, support under cohesion policy to tackle demographic challenges has remained fragmented so far. It invites the Commission to consider enhancing synergies among the cohesion policy funds post-2027, and underlines that a more integrated cohesion policy would also enhance the EU's efforts in

acknowledging and addressing both the impact of demographic change and the effects this challenge can have on the green and digital transitions. Map 2 shows the population change in EU NUTS3 regions between 2010 and 2021, with regions shaded red having experienced a population decline.

Map 2 – Population change in EU NUTS3 regions (2010–2021)



Source: EPRS calculations from Eurostat (demo_r_grind3).

The General Affairs Council also held a [debate](#) on how to strengthen the key cohesion policy assets and improve the shared management of cohesion funds in line with the subsidiarity principle. Ministers stressed the importance of shared management and multilevel governance, as well as the need to involve local and regional stakeholders in both the design and implementation of the policy. Furthermore, they emphasised the importance of preserving a place-based approach and the long-term nature of cohesion policy, including the need to find the right balance between strategic priorities and the development needs of all, and especially less developed, regions.

Committee of the Regions

In its 2024 [resolution](#), the European Committee of the Regions (CoR) welcomes that a reinforced and improved cohesion

policy is recognised in the European Council's 2024–2029 [Strategic Agenda](#), and the Commission President's [political guidelines](#) for 2024–2029.

The CoR calls for post-2027 cohesion policy to include a regional orientation at EU level, a specific allocation of funds for regions with territories referred to in Article 174, and for aid intensity to reach a minimum threshold in association agreements. It considers a comprehensive budgetary response to the demographic challenge is needed, and underlines the core principles that have underpinned cohesion policy since its inception: the shared-management model on a sub-national level together with the principles of additionality, solidarity among Union territories, of partnership and multi-level governance, and its support for place-based solutions.

The Committee insists that cohesion policy is paramount to overcome national barriers hampering the single market and to mitigate unintended territorial consequences of its development. The Committee is convinced that a reformed cohesion policy must remain the main EU investment tool and must build on these core principles while addressing new disparities captured by the findings of the 9th Cohesion Report and the High-Level Group on the Future of Cohesion Policy report. It considers simplifying the management and control of cohesion policy funds is necessary, as well as ensuring Member States and their regions have strengthened administrative capacity to manage European funds.

The CoR underlines the key role of cohesion policy to support communities and regions in developing local solutions for the green, digital and demographic transitions. These are needed to overcome a ['geography of discontent'](#) and maintain public support for the EU, by working towards the Sustainable Development Goals and tackling demographic challenges to combat depopulation in rural areas and to ensure a just transition for all regions. The Committee agrees with the High-level group's findings on supporting regional transformation and just transition strategies via place-

based industrial and energy policy and place-based innovation to strengthen EU resilience and competitiveness as well as its strategic autonomy.

The Committee welcomes the introduction of a 'golden co-financing rule' in the 2024 reformed economic governance framework, whereby the co-financing of EU funds is excluded from the calculations of net expenditure, and asks for a comprehensive reform of cohesion policy to accelerate financial execution of the policy. It asks for the ['do no harm to cohesion' principle](#) to apply to other EU policies. In addition, future EU enlargement will require new and substantial resources without resulting in a reduction of per capita available resources for cohesion. The Committee strongly warns against any temptation to promote cohesion with a centralised 'one size fits all' approach.

The CoR states that the future cohesion policy should operate under the aegis of a single strategic framework to avoid fragmentation of funds and financial rules and insists that it should cover the Social Climate Fund, rural development funding and other EU instruments. It suggests that in future these aspects of cohesion policy should be assessed against the background of lessons learned from the RRF implementation without calling into question the core principles of the policy. It states that all European regions should remain eligible for cohesion policy funding in the future and stresses that the 9th Cohesion Report underlines that rural, mountainous, island, and sparsely populated areas continue to face specific challenges that hinder economic growth and development, stemming from lower physical and digital connectivity or limited education and training opportunities.

Furthermore, the [#CohesionAlliance](#) created in October 2017 by the CoR and leading European associations of cities and regions advocates cohesion as a fundamental value of the EU. It launched a [call](#) for 'A renewed Cohesion Policy post-2027 that leaves no one behind' at the 10th European [Summit](#) of Regions and Cities, in Mons (Belgium).

European Economic and Social Committee

In its 2024 [resolution](#), the European Economic and Social Committee ([EESC](#)) calls on EU Member States and leaders, the European institutions and EU citizens, to safeguard and protect the economic, social and territorial cohesion of the EU. It stresses that the fundamental principle of cohesion policy, according to which 'no one should be left behind', remains sound and valid. It states that cohesion policy needs to be more diversified and flexible but remain credible, stable and clear to pay greater attention to people, especially the most vulnerable, and to better address inequality of opportunities. The EESC is against the reduction and transformation of cohesion policy into an instrument for tackling emergency crises. It rejects the idea of converting cohesion policy into an instrument similar to the RRF with little or no structural stakeholder involvement, shared management or multi-level governance.

The EESC is in favour of the partnership principle and clear rules for the inclusion of civil society in the selection, governance and monitoring of EU-funded operations. It calls for a cohesion policy that is place-based and people-based. It underlines the importance of addressing the EU's main structural challenges across all regions and disparities between and within regions and society. It seeks greater emphasis on territorial policy strategies, such as integrated territorial investment (ITI) and community-led local development (CLLD) and a focus on categories of people with lower employment rates. Local, urban and territorial authority fund-management capacities should be strengthened. Cohesion policy should include key elements such as shared management, a regional approach, pre-financing and co-financing rates and involve civil society and all stakeholders at local level more closely, to strengthen the effectiveness of the partnership and multilevel governance principles. Policy should strengthen the administrative capacity of the various levels of government, beneficiaries and other national, regional and local stakeholders, and provide more tailored technical support to improve policy implementation on the ground.

Cohesion policy should support investment in social infrastructure to tackle EU demographic challenges and enhance the potential of cross-border labour markets, which are underdeveloped

due to legal and administrative barriers. The policy should continue protecting small and medium-sized enterprises (SMEs) and their sustainability and have more intensive synergy within the Just Transition Mechanism (JTM). It should create new types of economic prospects for less developed, peripheral, sparsely populated and rural areas, EU islands and outermost regions and promote initiatives to carefully identify and address the specific needs of regions and territories in development traps. Best practices, effective policy measures and specific funding currently implemented by the RRF should be taken on board, but there must be assurance that the use of funds remains fully compatible with cohesion policy implementation. Cohesion policy should further integrate the targets of cohesion into the European Semester.

The EESC wishes to see the overall MFF budget ensure adequate funding for cohesion policy, including in view of the future need for EU investment in defence and of a 27+ European Union. Mentioning the possibility of future enlargement, the EESC resolution states there should be adequate funding in the next programming period.

European Court of Auditors

A 2024 ECA [report](#) states the assurance framework for cohesion policy, while helping to reduce the overall level of error since 2007, has not been effective in bringing it below the 2 % materiality level set out in the rules. It therefore indicates the need for further improvement in the way the framework is implemented by both Member State authorities and the Commission. It states that not all national or regional management and control systems are sufficiently effective in preventing or detecting irregularities in expenditure declared by beneficiaries and traces weaknesses in the work of a significant number of audit authorities. It suggests that managing authorities' first-level checks must cover all expenditure before it is declared to the Commission and that the Commission could achieve greater impact by increasing the number of compliance audits it carries out. It claims that more than a third of errors could have been prevented by better decision making or more efficient verification by managing authorities.

Stakeholder positions

The Council of European Municipalities and Regions ([CEMR](#)) published a position [paper](#) on the future of post-2027 cohesion policy. The CEMR position paper advocates ambitious budgetary allocation to cohesion policy of at least one-third of the EU's budget. Cohesion principles such as partnership, multi-level governance, integrated and place-based development should be strengthened and embedded into other EU policies. The Code of Conduct on the Partnership Principle should be strengthened and its scope should be broadened to other EU policies, in particular the EU Semester. It states that multiple changes in regulations over the previous (2014-2020) and ongoing (2021-2027) periods, as well as the creation of new funds, create additional administrative burdens and should be avoided. When there is no mandatory requirement to involve stakeholders in decision-making, it simply does not happen. The CEMR pleads for a simpler framework with fewer initiatives and funds, greater local flexibility, and a single set of rules for beneficiaries. It envisages the future of cohesion policy as a policy that strengthens local and regional public services and investment through a mandatory thematic concentration and earmarked allocations dedicated to local and regional governments. Place-based and integrated territorial development should be the key delivery method.

In its [policy statement](#) (A Strong Cohesion Policy Promoting Urban Transformation) [Eurocities](#) calls on newly appointed EU leaders to work in partnership with city leaders to develop the next cohesion policy, using their expertise in implementing cohesion funds to drive the twin green and digital transition and bring concrete benefits to the people of Europe. The statement highlights four essential pillars to retain and improve to ensure real and lasting change: strengthening multi-level governance, fostering trust-based partnerships, ensuring urban authorities' roles in cohesion programmes, and simplifying the EU budget for more direct local impact. Cohesion policy should evolve to better contribute to and monitor urban needs, fostering new ways of working through

regular dialogue across levels of government. Eurocities proposes achieving this by strengthening the role of the Urban Agenda for the EU (involving cities in the whole policy cycle), and by including cities in the EU Semester. Cities are already playing a crucial role in fostering partnerships by managing funds as intermediary bodies, managing authorities, and through ITIs. Eurocities proposes strengthening and facilitating this role by introducing a simplified framework. It notes it is also essential to strengthen the direct funding support provided by the European Urban Initiative. Funding rules should be simplified across the board, using lump sum approaches wherever possible.

In its policy position on the future of cohesion policy post-2027, the Conference of Peripheral and Maritime Regions ([CPMR](#)) states that cohesion policy is and should continue to be a fundamental pillar of the EU's development model. It notes the increasing challenges for peripheral maritime regions, with territorial specificities resulting in permanent drivers for disparities being worsened during the current multifaceted crisis at the borders of Europe. It recalls the specific provisions for the natural disadvantages of islands and northern sparsely populated areas, as per Article 174 TFEU and the 1994 Act of Accession for Finland and Sweden, as well as the permanent constraints expressed in Article 349 TFEU for outermost regions. It believes that the cohesion policy budget and partnership-led framework should be maintained and remain a policy to help all regions reach their full potential. The CPMR states that concrete actions are needed to increase synergies amongst all policies, funds, programmes and instruments and calls for territorial investment controlled by competent regional authorities in line with the subsidiarity principle. Emerging centrally managed ad hoc territorial programmes should be avoided without the involvement of regional authorities.

The CPMR notes cohesion policy funds should not be viewed as reserves for crises. However, if such a crisis instrument should be considered, the CPMR calls for a separate crisis reserve to be established under shared management within the cohesion policy framework to be used for exceptional and unforeseen challenges. Such a reserve is not unprecedented, as the EU common agricultural policy has an agriculture reserve. The CPMR also understands the importance of structural reform requirements in the Country Specific Recommendations. However, linking such recommendations to cohesion policy necessitates the involvement of regions in developing the methodology, as well as compulsory participation of the regions during the development of partnership Agreements in line with the code of conduct. The CPMR calls for applying the same simplification of procedures for shared management as exists for direct management and ensuring that the system of controls is proportional to the level of risk and size of operations. It welcomes the present EU debate on complementing existing eligibility rules/indicators for funding allocation to better address the challenges CPMR regions face due to their maritime and peripheral position, which often have disproportionate risks compared to most other regions in climate change adaptation and security. It calls for the Council to improve the INTERREG programmes building on the existing areas and experience and that INTERREG programmes should be based on functional geographies. It calls for the Council to support the creation of two new Macro-regional strategies for the Atlantic and the Mediterranean and recalls that enlarging the EU cannot be accomplished by weakening the process of deepening the EU, but rather by reinforcing collaboration and cohesion.

The Capital Cities & Regions Network [reaction](#) to the 9th Cohesion Report stresses that city attractiveness comes at a price, as higher congestion, social challenges, and housing costs, coupled with higher wage costs, may undermine their competitiveness, and that pockets of poverty can be found in every region, including developed urban areas. The network is concerned that the Commission communication seems to take very little account of sub-regional disparities. Per capita GDP and household income are key indicators for assessing economic convergence and disparities across regions, but still do not shed light on the extent to which the benefits of growth are shared among people within regions. The Network believes cohesion policy is needed to continue strengthening economic, social and territorial cohesion for all regions and cities post-2027 and states that the freedom to stay should be valid for providing the same living and working conditions in all its territories. It states that the RRF was planned and implemented without any constructive involvement from local and regional authorities, and without sufficient reflection on its real impact

on the ground in the EU territories. Furthermore, simplification of cohesion policy implementation should not provide an argument for recentralising cohesion policy at European/national levels nor for establishing budgetary instruments that would be territorially blind. It emphasises the importance of the principles of partnership and multilevel governance and points out the need for the strongest possible incentive for Member States' governments to conduct meaningful consultation processes throughout the design, implementation, and control of cohesion policy programmes. In this respect, a better involvement of capital cities and regions in the management of cohesion policy resources dedicated to urban and peri-urban territories would be required, in line with the subsidiary principle.

The Demographic Change Regions Network (DCRN) paper on post-2027 cohesion policy calls upon EU decision makers to adopt a 'European Demographic Deal' as a horizontal set of policies and investment to help EU regions to adapt to demographic change and to set up an interinstitutional governance to coordinate EU institutions' work on demographic issues. The network supports a cohesion policy that would take a leading role in the 'European Demographic Deal' and envisages a budget allocation to help regions face demographic challenge. The Network calls for a debate on non-GDP supplementary criteria. It also asks for technical support for the development/revision of regional demographic strategies and financial support for the reforms and investment identified. It supports better compatibility between cohesion policy funds and other EU funds.

In a [joint letter](#) on the future of cohesion policy to the Commission, representatives of 120 European regions from 15 Member States asked that a future cohesion policy be available to all regions, respect a territorial place-based approach, and honour the principles of partnership and subsidiarity by granting Europe's regions a paramount role in the programming and implementation process, through shared management and multilevel governance. They mention that a centralised approach precludes these demands and claim a budget to match the long-term cohesion policy investment approach addressing the diverse challenges in all EU regions. They also called for an enhanced dialogue between the Commission and the regions to improve future cohesion policy performance.

Issues to watch in the future debate

The debate on the future of cohesion policy is already well underway and expected to increase. This creates a unique opportunity for regional and local stakeholders to influence national European institutional positions at an early stage, well before the legislative process begins. The negotiations on the mid-term review of the 2021-2027 MFF will also have an indirect impact on the reform of cohesion policy. In the context of the mid-term review of 2021-2027 cohesion policy, Member States will assess the outcomes of their programmes by 2025. It can be safely assumed, also based on the pace of the previous legislative reforms, that the legislative process to establish the rules for cohesion policy post-2027 will be initiated about two years before the end of the funding period, in the first half of 2025. Meanwhile, the mid-term review of 2021-2027 cohesion policy is expected to be concluded by December 2026. All regulations governing the spending rules for the post-2027 funding period, and the new MFF providing the corresponding amounts, must be in place by the summer of 2027 to allow Member States to complete their preparations and programming, and to start implementation of the new structural fund programmes on time. As in the past, the Parliament will have a decisive role to play as it acts as a co-legislator for the upcoming cohesion policy rules.

The future of cohesion policy is inextricably linked to the allocation it will receive from the post-2027 budget as this will be decisive for the number of policy priorities that the EU can address within its secured resources. For the time being, it is difficult to predict what the future cohesion policy might look like. Various issues are already being discussed that may figure more prominently in the EU's future policy agenda. One such is the issue of further simplification of cohesion policy rules – as previous simplification efforts, although having considerably improved the system, did not lead to the necessary results. Another issue is the relationship between cohesion policy and the RRF. If the RRF is continued post-2027, its relationship with the future of cohesion policy will also need to be addressed, as the RRF has been perceived by many local/regional stakeholders to be too centralised

and sometimes contradictory to the means and values of cohesion policy. The RRF's lessons in terms of simplification may also be transposed within the new cohesion policy framework. How cohesion policy will relate to the priorities of the European Semester is another issue that needs to be clarified. Discussions on the rule of law, addressing error rates, securing better regional/local governance will all likely have a place in the upcoming dialogue on the future of the policy.

A recurring tendency to adopt more 'place-based' approaches (policies targeted at rural, border, insular, outermost and mountainous regions) is also evident in many demands from regional stakeholders. Although various Commission/Council statements seem open to these views, it is far from clear how these demands would be implemented within a new cohesion policy or whether specific fund leverage will apply to concrete categories of regions. A recentralisation scenario for cohesion policy - to which many stakeholders refer - may work against place-based needs. It will be also interesting to see what policies will be provided for the regions caught in a development trap and what the future will hold for the future EU urban agenda. Policy surprises cannot be totally excluded: a new impetus to address the relatively recent issue of Europe's housing problem shows how a new policy area may come to fore.

It also remains to be seen how cohesion policy will connect with future EU priorities such as immigration, enlargement, security and defence, and how much of the bill will it have to cover for underpinning these priorities. By allowing transfers of funds, cohesion policy may be seen as a flexible pot of money that can easily be redirected to new issues every time political priorities are altered, thus losing its main focus.

Demography is also expected to feature in future discussions as 'the right/freedom to stay' emerges strongly in official EU communication. However, it is quite unclear if any new indicators or funding boosting mechanisms will be adopted for regions suffering from demographic decline.

In addition, it remains to be seen whether debates on the green and digital transition may influence emerging priorities. Climate change and the need to take urgent action to address fire/drought and flooding disasters may feature in the discussion due to recent environmental disasters in a number of EU countries. To address this challenge, Parliament recently adopted a new [regulation](#) so that regional development funds can be used more flexibly for reconstruction following natural disasters.

Taking into account the restrictive budgetary framework that seems to be on the horizon, the debate on the future of cohesion policy may not be an easy one. It will be interesting to see how future budget allocations will be delivered among the different categories of regions and policy priorities. Possible reallocations of funds through a reprioritisation 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 policy domains from a possible loss of funds.

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eprs@ep.europa.eu (contact)

<https://eprs.in.ep.europa.eu> (intranet)

www.europarl.europa.eu/thinktank (internet)

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