

## Challenges for EU cohesion policy

### Issues in the forthcoming post-2020 reform

#### SUMMARY

In a 2015 speech, European Commissioner for Regional Policy, Corina Crețu, re-ignited the debate on the post-2020 cohesion policy reform by suggesting ten main issues for future reflection. One issue is about how the EU's cohesion policy can best contribute to its two objectives: competitiveness and cohesion. Finding the most efficient form of support is an important point of reflection: 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) is widely debated.

Other issues to consider are simplification of policy for beneficiaries, the importance of achieving better governance, and the contribution of cohesion policy to the EU's economic governance. Another topic deals with the best way to support lagging regions. Special attention is also paid to the role of the urban dimension in cohesion policy. How cohesion policy can best support growth, jobs and innovation outside heavily populated areas and in regions with special geographical characteristics is also another issue of discussion in policy circles. Last but not least, the method of allocation of cohesion policy funds is another thought-provoking topic. In a 2016 speech, the Commissioner focused on four main areas: flexibility, performance, economic governance along with structural reforms, and simplification. Since then, the issue of Brexit has further complicated discussions regarding the future of cohesion policy. The departure of the UK from the EU may have a significant impact on the EU budget and consequently on the financial envelope for cohesion policy.

*This briefing is an update of an [earlier edition](#), published in May 2016.*



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## Introduction to cohesion policy

Article 174 of the Treaty on the Functioning of the EU (introduced by the 2009 Lisbon Treaty) claims 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'. According to the European Commission's Sixth Report on economic, social and territorial cohesion, as an explicit objective of cohesion policy, stronger emphasis has been given to access to services, functional geography, territorial analysis and sustainability. This shift is also mirrored in the increasing focus on sustainable growth in the [Europe 2020 strategy](#).

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](#)), these funds 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 to all European regions. Although the current programming period ends in 2020, discussions have already begun about the future of post-2020 cohesion policy. Some of the most prominent policy debates will be analysed below.

## The 2020-2026 MFF and the possible impact of Brexit

According to Article 25 of the Multiannual Financial Framework (MFF) [Regulation](#), the Commission shall present a proposal for the post-2020 MFF before 1 January 2018. It is still too early to speculate on the future shape of the MFF. However, an [EPRS study on the economic and budgetary outlook of the EU](#), provides some interesting background to the current debate. It notes that some analyses consider the current structure of the MFF outdated, too focused on past priorities and insufficiently supportive of initiatives with high European added value. In this perspective, aligning the budget to a new and evolving set of EU strategic priorities is an important issue. Areas identified as requiring stronger EU financial intervention include border management, migration and refugees, security challenges and defence, as well as a reinforced investment policy. In addition, there is considerable demand for greater possibilities to shift resources within and among the MFF headings, e.g. in order to re-use de-committed amounts and fines; or to secure bigger margins under annual ceilings. Shifting priorities and a more flexible structure of funding may have a long standing effect on cohesion policy.

In addition, once the United Kingdom (UK) triggers the Article 50 procedure to leave the EU ('Brexit'), budgetary relations between the EU and the UK will need to be settled. 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. Depending on the final scenario, some outcomes from the Brexit process would have a serious impact on the EU budget whereas others would have a more manageable one. 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.<sup>1</sup>

### Addressing economic governance and structural reform

From its inception, cohesion policy has 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.<sup>2</sup> In contrast, a discourse on cohesion may take into account various structural problems that regions face, such as high unemployment, social inequalities, geographical location 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.

A further example is Article 23 of the Common Provisions Regulation ([CPR](#)), which deals with [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. 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 and, in particular, between economically high-performing Member States and weaker ones. Poorer Member States suggest that it is essential that the EU does 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. 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](#).

In an October 2015 [resolution](#), the Parliament had emphasised the fact that the macroeconomic conditionality mechanism should only be used exceptionally, as a last resort, and should be thoroughly debated and justified. The resolution also emphasised that, although recognising the need for effective economic governance is important, macroeconomic conditionality should not hinder the pursuit of the broader goals of economic, social and territorial cohesion. It also expressed concern that a possible enactment of Article 23 CPR may lead to financial uncertainty and instability, worsening an already precarious situation, particularly in disadvantaged regions or those hit hardest by the crisis. It stated that the implementation of economic sanctions will punish regions via the reprogramming or suspension of funding as a result of macroeconomic failings caused at other levels of administration. Furthermore, a possible enactment of Article 23 sanctions would further hinder the achievement of the Europe 2020 targets.

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 which would take into account their own needs and specificities. In this respect, questions regarding the subsidiarity of 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 fully explore this instrument.

### **Flexibility: focus on new policy challenges**

A number of new policy challenges such as immigration may alter the priorities of cohesion policy. 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 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 be other such sources of 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.

A key question is whether any specific amounts will be earmarked for the above-mentioned challenges in the post-2020 cohesion policy. However, 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. In addition, it remains to be seen how regions can contribute to issues related to immigration, which has been dominated by national rather than regional incentives.

Other issues may also be related to the Juncker Commission's [ten priorities](#) which, apart from immigration, include issues such as jobs, growth and investment, the digital single market and energy union. The first priority of the 2014 political guidelines, related to 'jobs, growth and investment', encompasses two main policy areas – the [investment plan for Europe](#), put forward in November 2014, and the [circular economy package](#), proposed in December 2015 – as well as a host of other measures. As cohesion policy is inextricably linked to issues related to jobs, growth and investment it may be required to produce more tangible results in these fields. In a recent [workshop](#) of the European Parliament's Committee on Regional Development, Professor John Bachtler emphasised the fact that there is a need for territorial cohesion more than ever in the EU, and argued in favour of an enhanced cohesion policy for the EU. He also mentioned a massive failure of territorial cohesion in the UK which in turns generated feelings of despair. This may have had an impact on the Brexit vote as it was the poorest UK areas that voted most in favour of leaving the EU.

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.

Issues of digitalisation and innovation may need further attention. 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 in 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.

The Parliament has been consistently supportive of efforts to foster the development of broadband infrastructure and ICT. In 2013, in a [resolution on the Digital Agenda](#), it welcomed the adoption of the EU-wide [Youth Guarantee Scheme](#) aimed at tackling youth unemployment and called on the Commission and Member States to maximise the scheme's effectiveness by prioritising the acquisition of digital skills. In September 2016, the Parliament adopted a [resolution](#) on 'Cohesion policy and research and innovation strategies for smart specialisation' which focuses on the central role of RIS3 in the contribution of cohesion policy to the EU 2020 goals and the main issues from RIS3 applications.

### 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 in 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 have tried to simplify procedures by setting up the [common strategic framework](#) for the 2014-2020 period, in such a way as to ensure that the ESI Funds contribute to reaching the Europe 2020 headline targets. 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. Special focus is to be put on five priorities:

- facilitating access to funding for SMEs;
- tackling the practice of 'gold-plating', where extra requirements or administrative hurdles are added at national or regional level, including in the process of selecting projects;
- using simpler ways to reimburse costs;
- increasing the use of online procedures, such as 'e-cohesion' in cohesion policy-funded projects; and
- analysing how projects initiated and managed by local communities are implemented (community-led local development).

The group has already covered a number of [issues](#) and is planning to make its final recommendations on improving the implementation of simplification measures for the post-2020 period by mid-2017.

The European Parliament adopted a [Resolution](#) in November 2015 calling for the implementation of the 'single audit principle' and a stronger focus on performance auditing. It calls on the European Commission to introduce detailed guidelines on simplification in order to make the Member States and their regions aware of their task of eliminating the administrative burden and gold-plating arising at national and local levels as well as focusing the EU budget on tangible results. The Committee of the Regions (CoR), in its 2016 [opinion](#), put forward a list of concrete proposals on how to simplify the existing rules.

#### EU 2020 headline targets

- providing employment to 75 % of 20-64 year-olds
- investing 3 % of EU GDP in research and development
- lowering greenhouse gas emissions by 20 % (or even 30 %, if the conditions are right) compared to 1990
- obtaining 20 % of energy from renewables and ensuring a 20 % increase in energy efficiency
- reducing the rates of early school leaving below 10 %
- at least 40 % of 30-34 year-olds completing third-level education
- at least 20 million fewer people in or at risk of poverty and social exclusion

### Thematic concentration

Thematic concentration had been an issue in the previous programming period (2007-2013) and led to the establishment of core [thematic objectives](#) which were 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 EFSI

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. 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 September 2015 [resolution](#), 'Investment for jobs and growth: promoting economic, social and territorial cohesion in the Union', the Parliament highlights the role of financial instruments in mobilising additional public or private co-investments in order to address market failures in line with the Europe 2020 strategy and with cohesion policy priorities. It calls on the Commission to put all efforts into making financial instruments easily usable and tempting for Member States and regions. The resolution also emphasises the need to ensure transparency, accountability and scrutiny for financial instruments that involve EU money. It expresses concern about the low rates of disbursement of financial instruments to beneficiaries. Moreover, the CoR issued an opinion on [Financial instruments in support of territorial development](#) in October 2015.

### EFSI

Another related issue is the functioning of [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. An [EPRS briefing](#) highlights various issues that stem from EFSI which may cause a conflictual and competitive relationship with ESI Funds.

According to a Parliament [resolution](#) of October 2015, EFSI should be complementary and additional to the ESI Funds. The Parliament regrets that EFSI is not clearly linked to the Europe 2020 strategy, but considers that through its objectives and the selection of

viable, sustainable projects, it should contribute to the implementation of the strategy in specific areas. Although EFSI received considerable support from Members of the European Parliament during debate there, various stakeholders have [criticised](#) the fund on the basis of the selection process of projects, its over-optimistic multiplier effects and its insufficient leverage in boosting investments. The CoR in its opinions on [EFSI](#) and [EFSI 2.0](#) called for consistency of EFSI with operational programmes under cohesion policy, and for better synergies between these tools.

### **The Urban Agenda for the EU and areas with geographic specificities**

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. The Commission's Directorate-General for Regional and Urban Policy also announced the [second call](#) for the [Urban Innovative Actions](#) initiative.

The European Parliament and the CoR in particular have been active advocates of a strong Urban Agenda for the EU. A [Joint Statement](#) between the EP's REGI committee and the CoR COTER commission was adopted in October 2015, in order to support the adoption of an ambitious Pact of Amsterdam. The EP's [Urban Intergroup](#) has been an active agent in the promotion of urban issues in European affairs and in suggesting policy initiatives at EU level. In addition, Parliament adopted an own-initiative resolution on the [urban dimension of EU policies](#) in 2015. Amongst other issues, the resolution stresses that the [Urban Agenda of the EU](#) should involve the local level more closely at all stages of the policy cycle, and ensure the feasibility of relevant EU policy initiatives at local level.

The CoR adopted an [opinion](#) in April 2016, calling for a stronger role for the European Commission in coordination, and for the urban agenda to be better integrated into the work programmes of the forthcoming presidencies of the Council of the EU. The opinion



states that stronger focus on integrated urban issues should be made through all EU policies. In addition, in a CoR [study](#), the growth potential of an integrated Urban Agenda has also been assessed.

### Regions with geographic specificities

Geographic specificities 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 the rules for the ESI Funds, offers various forms of assistance to these regions, which have either not been put in place or have so far had limited application. Various European Territorial Associations (such as CRPM and Euromontana) have criticised the limited provisions that cohesion policy offers to such 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 insular territories and mountainous regions have also 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. Both the [Parliament](#) and the [CoR](#) has always supported EU policies that allow Outermost Regions to become more self-reliant and economically more robust.

### 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, or 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.<sup>3</sup> NUTS 2 regions were ranked and split into three groups:

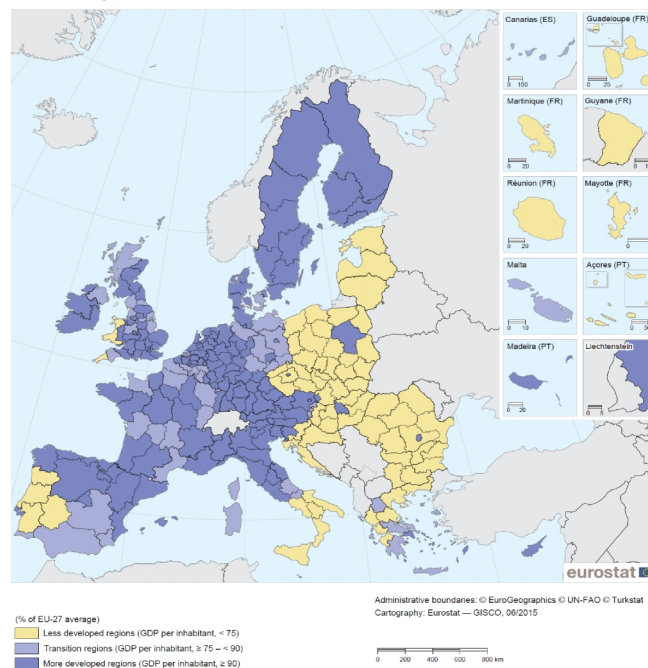
- less developed regions (where GDP per inhabitant was less than 75 % of the EU-27 average); (yellow on the map)
- transition regions (where GDP per inhabitant was between 75 % and 90 % of the EU-27 average); (light blue on the map), and
- more developed regions (where GDP per inhabitant was more than 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.<sup>4</sup> 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.

**Figure 2** below shows how different regions are prioritised under each of the three main categories, which entitles them to receive preferential treatment for their needs. The index scores absolute performance on a 0-100 scale for each of the 50 indicators included to measure the index components. The SPI model also presents strengths and weaknesses relative to regions of similar economic performance. It takes into account indicators in three main pillars: basic human needs, foundations of well-being and opportunity. The European regions were ranked in three different categories by taking into account the three basic layers of the Social Progress Index.

**Figure 1 – NUTS 2 regions according to GDP**

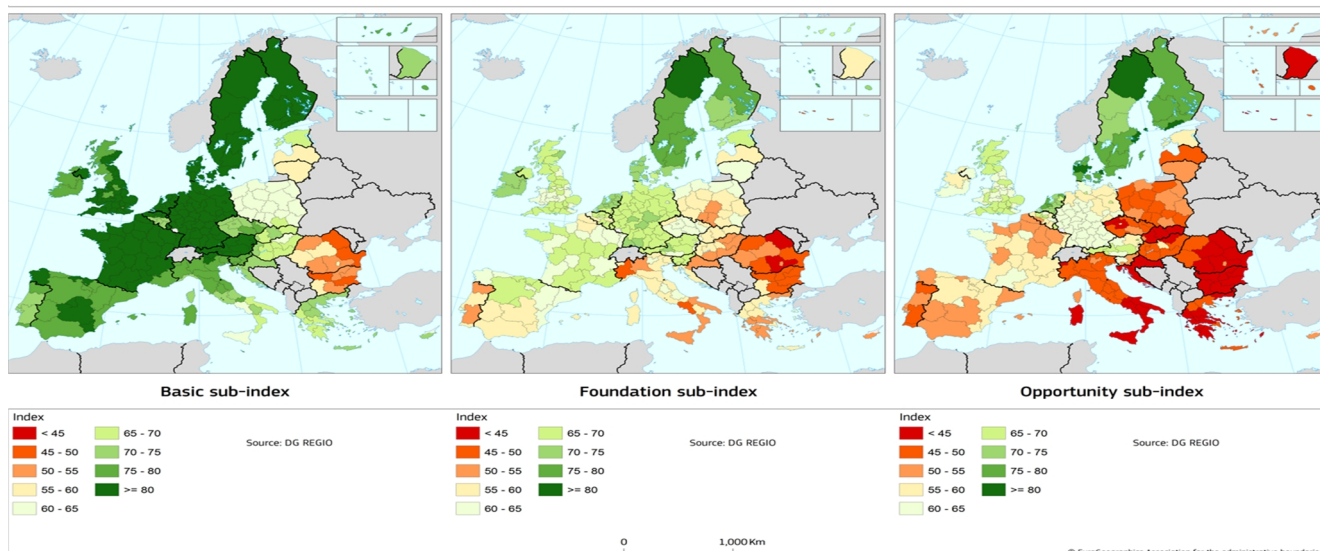
Map 1.1: Regional eligibility for structural funds, by NUTS level 2 region, 2014–20 (1) % of EU-27 average)



Source: [Eurostat regional yearbook](#), 2015.

**Figure 2 – EU regional Social Progress Index**

Regions grouped according to sub-indices on basic human needs, foundations of well-being and opportunity



Source: [European Commission](#), 2016.

Speaking at the Committee of the Regions (CoR) plenary session on 11 February 2016, Commissioner Crețu 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](#)).

### **A stronger focus on lagging regions?**

So far, cohesion policy has benefited all EU regions, while offering additional support to regions with lower-than-EU-average GDP rates. As such, it is a universal policy that covers – albeit to different degrees – all EU citizens. However, due to the small size of the EU budget, the funding that regions receive from it has a limited, but nevertheless considerable, impact. Most of the funding is addressed to less developed and transition regions. An [EPRC](#) study on the future of cohesion policy recognises the benefits of providing additional funding for lagging regions. However, it also suggests that EU-wide coverage of cohesion policy would ensure the continued interest and commitment of all EU Member States; make cohesion policy less likely to be seen as a welfare policy for the poor regions; and contribute to the maintenance of a common framework for exchanging experience and knowledge across the EU.

Some EU regions have not been able to fully grasp the advantages of the investment opportunities due to effects of the economic crisis and structural problems. Lagging or low-growth regions are usually regions from eastern countries or southern European regions. 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 due to the lack of proper governance, or to 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 lagging regions. 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.

### **Outlook**

At the moment, it is still too early to predict where the debate on the future of cohesion policy may lead. An [EPRC study](#) has been critical of the role of the Commission so far, stating that it has not been able to provide the strategic or tactical direction that was given by previous Commission attempts. Some of the issues mentioned in this briefing require changes in technical procedures of cohesion policy, whereas others are of a more political nature and may lead to intensive debates. Due to the appearance of new political priorities, 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 ESI Funds. However, possible re-allocations 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. In addition, 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 the cohesion policy will be questioned by the more sceptical European

actors, convincing answers will be needed regarding the effectiveness, the added value and the results that the 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 ESI Funds.

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## Endnotes

<sup>1</sup> See: Bachtler, J., Mendez C. and Wishlade, F. Evolution or Revolution? Exploring New Ideas for Cohesion Policy 2020+, EPRC, 2016 and Woolford, J. [Implications of Brexit for UK ESI Fund Programming and Future Regional Policy](#), EStIF, No 3. 2016.

<sup>2</sup> See for instance, an analysis by Vasilis Avdikos and Anastassios Chardas, 'European Union Cohesion Policy post 2014: More (place-based and conditional) growth – less redistribution and cohesion', [Territory, Politics, Governance](#), Vol. 4, No 1, pp. 97-117.

<sup>3</sup> 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, Croatia, Cyprus, the Czech Republic, Estonia, Greece, Hungary, Latvia, Lithuania, Malta, Poland, Portugal, Romania, Slovakia and Slovenia.

<sup>4</sup> When it comes to cohesion policy, Article 7 of the [MFF 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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