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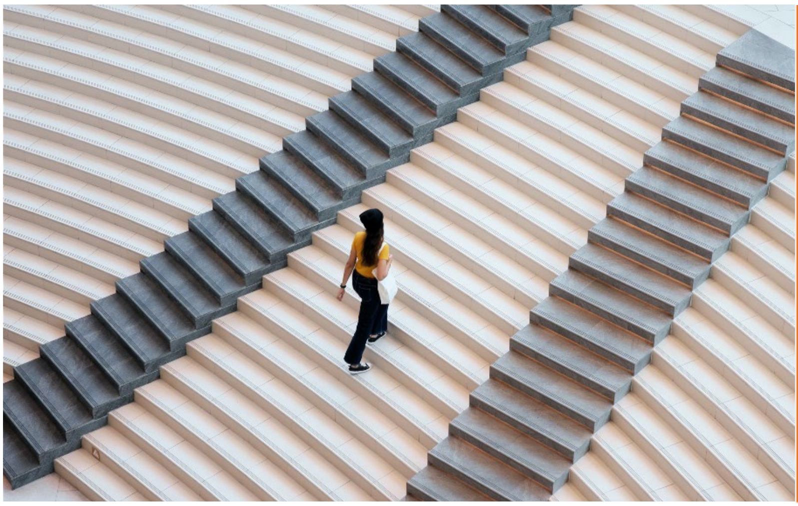
European Parliament

Exploring Strategies for Using Cohesion Funds to Address Social and Economic Challenges in the EU



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RESEARCH FOR REGI COMMITTEE

Exploring Strategies for Using Cohesion Funds to Address Social and Economic Challenges in the EU

Abstract

The study investigates how Cohesion Policy responds to emerging and existing demographic and socio-economic challenges. Following an overview of the main socio-economic challenges, it provides an assessment of Cohesion Policy strengths and weaknesses in tackling these challenges in the 2014-2020 and 2021-2027 periods. It then considers the policy implications for future Cohesion Policy and the role of the European Parliament. The study is based on a review of the relevant literature and data, stakeholders' interviews and five regional case studies.

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DISCLAIMER

CONTENTS

LIST OF ABBREVIATIONS

AES	Adult Education Survey
AMIF	Asylum, Migration and Integration Fund
AI	Artificial Intelligence
AROPE	At risk of poverty or social exclusion
BMW	Border, Midland and Western
CARE	Cohesion's Action for Refugees in Europe
CEDEFOP	High-Level Group
CF	Cohesion Fund
CP	Cohesion Policy
CPR	Common Provisions Regulations
CRII	Coronavirus Response Investment Initiative
CRII+	Coronavirus Response Investment Initiative Plus
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG REGIO	Directorate-General for Regional and Urban Policy
EC	European Commission
EIGE	European Institute for Gender Equality
ELET	Early Leavers from Education and Training
EP	European Parliament
EQUI	European Quality of Government Index
ERDF	European Regional Development Fund
ESDE	Employment and Social Developments in Europe
ESF	European Social Fund
ESF+	European Social Fund Plus
ETF	European Territorial Cooperation

Eurostat	European Statistics
EU	European Union
EU-LFS	EU Labour Force Survey
EU SILC	European Union Statistics on Income and Living Conditions
ESDE	Employment and Social Developments in Europe
FEM	European Funds for Mazovia Programme
GDP	Gross domestic product
GVC	Global Value Chains
HLG	High-Level Group
IP	Investment Priority in the 2014-2020 programming period
ISCED	International Standard Classification of Education
JTF	Just Transition Fund
ICT	Information, Communication and Technology
IFs	(Cohesion Policy) Intervention Fields
NGOs	Non Governamental Organisations
OECD	Organization for Economic Co-operation and Development
KCMD	Knowledge Centre on Migration and Demography
MMF	Multiannual Financial Framework
MSMEs	Micro, Small and Medium-sized Enterprises
NGEU	Next Generation EU Programme
NEET	Not in Education, Employment or Training
NWR	Northern and Western Region
NUTS	Nomenclature of Units for territorial Statistics
OP	Operational Programme

SA	Programme for International Student Assessment
PLN	Polish zloty
PO	Policy Objective
R&D	Research and Development
REACT-EU	Recovery assistance for cohesion and the territories of Europe
RIS	Regional Innovation Scoreboard
ROP	Regional Operational Programme
RRF	Recovery and Resilience Facility
RTDI	Research, Technological Development and Innovation
SMEs	Small-Medium Enterprises

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EXECUTIVE SUMMARY

This study analyses how Cohesion Policy (CP) can continue to support socio-economic and territorial cohesion in tackling emerging and existing **demographic, technological and socio-economic challenges**. It provides an overview of the main challenges and their intensity across EU regions and of its strengths and weaknesses in addressing them in the 2014-2020 and 2021-2027 periods. The study further derives policy implications for future CP and the role of the European Parliament in supporting its effectiveness.

The study is based on a review of the relevant literature and policy documents, a statistical analysis of national and regional socio-economic and CP data and indicators, interviews with EU stakeholders and five regional case studies representing different socio-economic, geographical, institutional and policy contexts: Apulia (Italy), Guyane (France), Northern and Western region (Ireland), Pohjois-jaltä Suomi (Finland), Warszawski stołeczny (Poland).

Main challenges at national and regional level

Despite the efforts made to reduce EU regional disparities, significant socio-economic and territorial inequalities still persist. These inequalities have been further exacerbated by a number of factors, such as the COVID-19 pandemic, Russia's war of aggression against Ukraine and inflation.

Demographic challenges, such as population ageing, low fertility rates and migration flows, can intensify regional disparities, particularly in rural and remote areas, affecting labour markets, service provision and the long-term viability of welfare and social protection systems.

Poverty and social exclusion are affecting a growing number of people, with more than 1 in 5 persons in the EU at risk of poverty or social exclusion, particularly in the case of **women, low-skilled workers, young people, migrants, ethnic minorities and persons with disabilities**.

Rural and remote areas with limited access to digital and transport infrastructure, economic opportunities and essential services, are facing depopulation, high unemployment and economic stagnation. These regions and former industrial areas are at risk of a development trap.

The **digital and green transition** may further increase socio-economic and territorial inequalities, with poverty risks affecting a growing share of the population. **Digitalisation and AI** are rapidly reshaping production processes, global value chains and competitiveness, the labour market and skills, with a growing demand for digital and STEM (Science, Technology, Engineering and Mathematics) skills, while job losses are occurring both in some medium- and low-skilled positions and qualified occupations in all sectors.

The contribution of Cohesion Policy to addressing the identified challenges

Since the 2008 crisis, CP has become an increasingly **important EU instrument for addressing socio-economic and demographic challenges**, representing 34% of total public investments in less and moderately developed Member States in the 2007-2013 programming period and 52% in the 2014-2020 period. In the 2014-2020 period, total Cohesion funding for interventions addressing socio-economic and demographic challenges accounted for 84% of total Cohesion planned allocations. In the current 2021-2027 period, this share is 72% of total planned allocations, as more resources are allocated to address environmental and energy challenges.

Over time, CP **has been effective in reducing regional disparities and in supporting economic recovery, particularly in less-developed regions**, thanks to the focus on these regions and the place-based approach adopted. CP investments have contributed to the socio-economic growth of **local economies** through targeted measures and investments that support innovation, SMEs, employment, training and education, social inclusion and poverty reduction. CP has also supported **institutional cooperation and capacity building** for better governance and administrative efficiency.

CP contributed to tackling the **specific regional challenges** of the **regional cases** considered, with important achievements for the competitiveness and innovation of SMEs (Finnish, Polish, Italian, and Irish regional cases), youth employment (Guyane and Finnish cases), upskilling (Guyane and Italian cases), job creation and reskilling (Finnish and Irish cases) and social inclusion (Finnish, Irish and Italian cases).

Cohesion Policy strengths and weaknesses

The debate and available evidence underline some important strengths of CP in addressing the considered challenges, including:

- The strong attention to territorial/spatial aspects and specificities, which differentiate it from other EU sectoral instruments;
- The shared management and partnership approach (involving regional/local public and private stakeholders) and the use of conditionalities and enabling conditions to promote the implementation of national reforms;
- The adoption of a strategic approach (as in the case of Smart Specialisation or R&D strategies) and synergies between CP programmes and national/regional programmes that have contributed to positive results;
- The Multiannual Programming Framework, ensuring funding stability and certainty for multiannual investment plans and reducing their vulnerability to national economic and political cycles;
- The improved capacity of national, regional and local authorities to rapidly respond to major unforeseen crises, with the introduction of more flexible and specific crisis-response instruments;
- The attention to institutional and administrative capacity building at all institutional levels, due to its relevance for effective implementation.

Conversely, the main obstacles hindering implementation on the ground are:

- The difficulty in adapting CP programmes to the complex challenges of local contexts and in addressing the rural-urban divide, especially for rural and peripheral regions experiencing brain drain and depopulation;
- The complex regulatory framework with stringent eligibility criteria often hindering the implementation of innovative projects tackling local specificities;
- The difficulty in out-reaching those businesses and population groups most hit by the emerging socio-economic challenges;
- The low awareness among the general public of the role of CP in promoting cohesion; and
- In some cases, the weakness of the governance system and of the institutional and administrative capacity at the national and local levels, especially in less developed areas.

The future of Cohesion Policy: Debate and policy implications

The acceleration of demographic, technological, socio-economic and environmental challenges in the coming years, together with geo-political tensions and conflicts, is likely to exacerbate existing socio-economic and territorial disparities both within and between EU countries. These challenges reinforce each other and ask for **systemic answers**.

The **decline in competitiveness** is, among others, becoming one of the most pressing structural challenge in Europe, which calls for a strengthening of global networks through trade and cross-border investments. The different impacts of the digital and green transition on social groups and territories may further **increase social and territorial inequalities and polarisation** in income, work opportunities and access to social services, creating cycles of poverty and social exclusion that involve a growing share of the population and might feed social conflict. In addition, marginal and rural areas risk falling into a **talent development trap**, limiting their potential for growth.

The current debate over the future of CP underlines that to tackle socio-economic and territorial inequalities, several changes should be made:

- **CP investments should continue to be concentrated in less developed and stagnating regions** already in or at risk of falling into development traps.
- CP's **place-based and people-oriented approach** should be strengthened.
- Greater **flexibility in the design and implementation of interventions and in eligibility criteria** (the criteria for accessing funding) would support more territorially tailored interventions and economic and social innovation in response to emerging and developing needs on the ground.
- Strengthening the **performance–based approach** and extending the use of **simplified costs options** to further simplify procedures.
- **Reinforced data collection, monitoring and evaluation systems** and their stronger integration into decision-making mechanisms, together with continuing **support for institutional and administrative capacity building**, would improve CP effectiveness and value added.

1. INTRODUCTION

For over 30 thirty years, Cohesion Policy (CP) has supported social and economic progress and cohesion throughout the EU and has emerged as the most extensive and advanced strategy for territorial development, serving as a model for similar efforts worldwide. In today's rapidly evolving and dramatically changing global landscape, characterised by growing geopolitical tensions and a range of socio-economic, demographic, environmental and technological challenges, it is important to further reflect on the future of CP, including its role and priorities, as well as the tools required to achieve them.

The aim of this report is to assess how Cohesion Funds can be employed to respond to current and emerging demographic, technological and socio-economic trends[1] that are challenging the goal of economic, social and territorial cohesion throughout the European Union.

To this end, the study provides an overview and assessment of:

- Current and future socio-economic, demographic and technological challenges faced by the EU and their different intensities across European territories and regions.
- How Cohesion Policy Funds support regions in tackling these challenges.
- Strengths and weaknesses in the ways Cohesion Policy Funds address the identified socio-economic challenges in the EU and European regions.
- Policy recommendations for EU decision-making, with a focus on the role and competences of the European Parliament.

The methodology is based on a **multi-method approach** combining qualitative and quantitative tools and methods, which include:

- an **extensive review of the relevant literature and policy documents**;
- a **statistical analysis** of available socio-economic and Cohesion Policy data and indicators at national and regional level;
- **interviews with EU Cohesion Policy experts and referents** of the European Commission DG EMPL and DG REGIO involved in Cohesion Policy;
- five in-depth **regional case studies**, involving both desk research and interviews with key regional stakeholders.

The methodology followed four main steps:

1. **Identification of the main current and expected socio-economic challenges in the EU**, on the basis of a literature and data review, with attention to their different territorial intensity across EU regions.
2. **Assessment of the potential relevance of Cohesion Fund Intervention Fields (IFs)[2]** in tackling the identified challenges in the 2014-2020 and 2021-2027 programming periods.

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[1] The challenges related to climate and environmental changes are not considered, being the focus of another European Parliament study. https://www.europarl.europa.eu/thinktank/en/document/IPOL_STU(2024)752459

[2] CP Intervention Fields refer to the specific categories/types of investment on which European Structural and Investment (ESI) Funds are allocated. Intervention Fields in EU Cohesion Policy are classified by specific codes that correspond to different types of investments. Examples of Intervention Fields are: 013 – Support for digitisation of SMEs, 048 – ICT infrastructure; 082 – Rail transport infrastructure; 112 – Social housing projects; 115 – Support for marginalised communities (e.g. Roma inclusion programmes). Data on Intervention fields are provided in the Cohesion Open Data Platform. http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014R0215.

The assessment considers the sign (positive, negative or null) and level (high, medium, low) of the expected effects of each Cohesion Funds' Intervention Fields on the identified challenges. For example, investments in IFs like ICT infrastructure development, business and SMEs support, the establishment of micro-enterprises are considered as investments with a high potential positive effect in addressing **economic and territorial challenges,** but with a low relevance for addressing social and demographic challenges. On the contrary interventions to support marginalised communities, for job creation, labour participation, and the re-upskilling of the labour force were classified as investment with a high potential relevance for addressing social and employment challenges.[3] This assessment allows: i) to derive the main research hypothesis on how and to what extent Cohesion Policy could address the identified challenges; ii) to assess the planned allocations and expenditures in CP interventions tackling the considered challenges, overall and in the selected regional case studies; and iii) to select the interventions to be analysed in depth in the regional case studies.

3. **Mapping of Cohesion Policy Funds financial allocations and expenditures in the 2014-2020 programming period** and, to the extent possible given data availability, in the **2021-2027** programming period. This is to assess the actual composition of Cohesion Policy-planned allocations according to their expected effects on the considered challenges in EU countries and in the selected regional case studies.
4. **Triangulation of findings** to draw conclusions and derive policy recommendations.

The selection of the five regional **case studies** was based on the following criteria:

- **Territorial and geographical coverage**, with attention to the different geographical areas and welfare regimes (Nordic, Anglo-Saxon, Continental, Eastern and Southern Europe).
- **Regional typologies**: urban and rural regions as well as remote and outermost areas.
- **Regional positioning** on the basis of a set of demographic and socio-economic indicators, in order to select regions that are representative of the variety of EU demographic and socio-economic conditions.

- **Cohesion Funds allocations** for the 2014-2020 and 2021-2027 periods.

Based on these criteria, the following regional cases were selected: Apulia (Italy), Guyane (France), Northern and Western (Ireland), Pohjois-jaltä Suomi (Finland), Warszawski stołeczny (Poland).

This report presents the main findings of the research activities. Chapter 2 outlines a comprehensive overview of the main socio-economic, demographic and technological challenges faced in the EU as well as the territories/regions and population groups most affected by these challenges. Chapter 3 presents the contribution of Cohesion Policy to tackling the identified challenges. Chapter 4 discusses CP's strengths, weaknesses and enabling factors on the basis of a review of the literature, available data and indicators and the five considered case studies. The concluding Chapter 5 provides an overview of the debate on the future of Cohesion Policy and the policy implications as well as the potential role of the European Parliament in supporting a more effective Cohesion Policy.

[3] More details on the methodology adopted are provided in Annex 1.

2. MAIN SOCIO-ECONOMIC, DEMOGRAPHIC AND TECHNOLOGICAL CHALLENGES AT NATIONAL AND REGIONAL LEVEL IN THE EU

KEY FINDINGS

- Despite efforts to reduce regional disparities within the EU, **significant socio-economic and territorial interacting inequalities persist** across regions, challenging the EU's goal of economic and social cohesion.
- **Recent events**, such as the COVID-19 pandemic, Russia's war of aggression against Ukraine and inflation have exacerbated regional disparities and intensified social and economic challenges.
- **Demographic change**, with population ageing, low fertility rates and **migration flows** are intensifying regional disparities, particularly in rural and remote areas with significant impacts on labour markets, welfare and social protection systems (healthcare, pensions and unemployment benefits, etc.). Population ageing and a shrinking workforce also affect the sustainability of social protection systems.
- **Economic disparities** are increasing, with a significant portion of the EU population living in regions with GDP per capita below 75% of the EU average, particularly in Eastern and Southern Member States.
- **Digitalisation and AI** are reshaping production processes, global value chains and the labour market, with a growing demand for digital and STEM (Science, Technology, Engineering and Mathematics) skills and significant job losses in medium- and low-skilled positions.
- Differences in infrastructure, economic opportunities and essential services between **urban and rural regions** are widening.
- **Poverty and social exclusion are involving a growing share of the population**. Women, young people, migrants, ethnic minorities, the low-skilled and persons with disabilities often face higher barriers to entering the labour market and encounter persistent risks of poverty and social exclusion. Gender inequality persists, especially in the labour market and decision-making roles.
- **Many regions (including transition regions and former industrial ones) are caught in a development trap**. Real GDP per capita has declined in several Southern regions since the early 2000s, reflecting persistent structural challenges. Many Eastern regions strive to sustain their convergence and growth drivers beyond metropolitan areas to address increasing interregional disparities.

Despite efforts to reduce regional disparities within the EU, **significant socio-economic and territorial inequalities persist across regions**. These inequalities challenge **the EU's goal of economic and social cohesion**. After several decades of convergence between and within countries, since the 2008 global crisis, the pace of convergence has been slower and territorial inequalities have increased again both within and across countries.

As underlined in the European Commission 9th Cohesion report (European Commission, 2024a), while several less-developed regions have been catching up, many transition regions are caught in a **development trap**[4]. Moreover, the development gap between capital metropolitan regions and other regions has been widening. Real GDP per capita has declined in several Southern regions since the early 2000s, reflecting the ongoing impact of economic shocks and persistent structural challenges in productivity growth, institutional quality and the functioning of labour markets. Meanwhile, many Eastern regions strive to sustain their convergence momentum and broaden their growth drivers beyond metropolitan areas to address the increasing interregional disparities.

The **COVID-19 pandemic, Russia's war of aggression against Ukraine and inflation** have had asymmetric effects that have **exacerbated regional disparities and intensified social and economic challenges**. The COVID-19 pandemic, for example, has had a more pronounced effect on areas that rely on cultural industries. Additionally, it has affected other labour-intensive services as well as sectors that are embedded in global value chains. Similarly, the adverse effects of Russia's war of aggression against Ukraine were particularly acute in border regions and in areas where industries are vulnerable to high energy prices and supply chain disruptions. These regions and less developed regions have been particularly affected by the consequences of these crises. The unequal distribution of institutional capacity across different institutional levels has worsened the asymmetric impacts, making it more difficult to respond effectively to these challenges.

Climate change and green transition policies also affect technologies and industries as well as social and individual behaviours, leading to a new development model to ensure more environmentally sustainable and fairer societies. This new model will, however, take many years to be completed. In that regard, green transition policies will promote the relocation of workers from declining industries and support the new skills and jobs required by green investments in the private and public sectors.

Digitalisation, climate change, demographic change, globalisation, resource scarcity and urbanisation constitute interlinked global megatrends and challenges that, together with those posed by climate change, will increasingly shape societies and economies in the years to come with diversified effects on regional development and territorial inequalities[5]. **A growing innovation divide** is making it harder for less-developed and transition regions to catch up. Regions also have to adjust to a rapidly **ageing population and shrinking labour force**. The **green and digital transitions** are going to be key drivers of EU growth in the next 30 years, bringing new opportunities but also requiring significant structural changes that risk creating new regional disparities and aggravating existing ones if not adequately addressed (European Commission, 2021a)[6].

Tackling these interlinked demographic and socio-economic challenges is crucial to ensuring continued progress in socio-economic convergence.

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4 See, for example, Diemer et al., 2022.

5 Climate and other environmental challenges, digital hyper-connectivity and technological transformations, shifts in the global order and demography and pressures on democracy are the challenges highlighted in the Strategic Foresight Report (European Union, 2021).

6 See Bertelsmann Stiftung, 2023.

2.1. Demographic and migration challenges

Demographic ageing

Demographic change represents a significant challenge for numerous European regions, particularly in Eastern and Mediterranean Member States. The EU has been registering a fertility rate persistently below replacement levels for decades and one of the world's highest life expectancies (82.9 years for women and 77.2 years for men). Low fertility rates affect the age structure of the EU population. Eurostat data show that in the EU-27, while the share of older people (aged 65 years and over) increased from 18.3% in 2013 to 21.3% in 2023, the share of the population of lower age declined. The share of children between 0 and 14 years declined from 15.4% in 2013 to 14.9% in 2023 and the share of the **working age population** (15-64 years old) shrank from 66.3 in 2013 to 63.8% in 2023[7].

By 2050, the EU working-age population is expected to shrink still further with an additional loss of 35 million persons (European Commission, 2023a). Conversely, the share of people over 65 will be around 30%. The **old-age dependency rate**[8] already increased from 27.6% in 2013 to 33.4% in 2023 and is projected to rise to over 50% by 2050. The proportion of the population living in a region with a shrinking population is projected to increase from 34% to 51% between 2020 and 2040, with rural regions especially affected as their population is already declining (European Commission, 2022b).

These trends may affect growth potential, skills development and services' composition and access.

The current and future acceleration of demographic ageing is expected to exacerbate socio-economic and territorial disparities, leading to an ageing and shrinking workforce and **negatively impacting the productivity and innovative capacity of production systems**.

The growing share of older people and their longer lifespan also puts **pressure on pension systems** and creates a **growing need for elderly health and care services** for older people. According to the European Strategy and Policy Analysis System (ESPAS) (2019), demographic ageing will cost EU countries around EUR 46.5 billion per year in healthcare, placing a significant burden on European healthcare and welfare systems. In addition, it will increase labour and skills shortages. This is **challenging the financial sustainability of our social protection and welfare systems**. Population ageing has forced most Member States to strengthen the sustainability of the social protection system through **increases in retirement age** and the **transition to contributory pension schemes**[9]. These pension benefits depend on the level and the years of contributions paid by employers and workers during their working life. As a result, they penalise workers with low wages and those with shorter and/or interrupted employment careers, such as women with caregiving responsibilities.

To support labour participation and a longer working life, it is essential to facilitate access to employment and job stability, particularly for older workers and women. This requires targeted training and work-life balance measures, taking into account these workers' specific

[7] Eurostat (2024), Population structure and ageing. Statistics explained, February 2024 https://ec.europa.eu/eurostat/statistics-explained/SEPDF/cache/1271.pdf

[8] The old-age dependency rate measures the ratio between the share of older people aged 65 and over, when they are generally economically inactive, compared to the share of people of working age (15-64 years old).

[9] Contributory Pension Schemes are arrangements where both the employer and the employee contribute towards the payment of the employee's pension at retirement through monthly pension contributions. Therefore, the amount of the pension benefit at retirement depends on the level and the number of years of contributions.

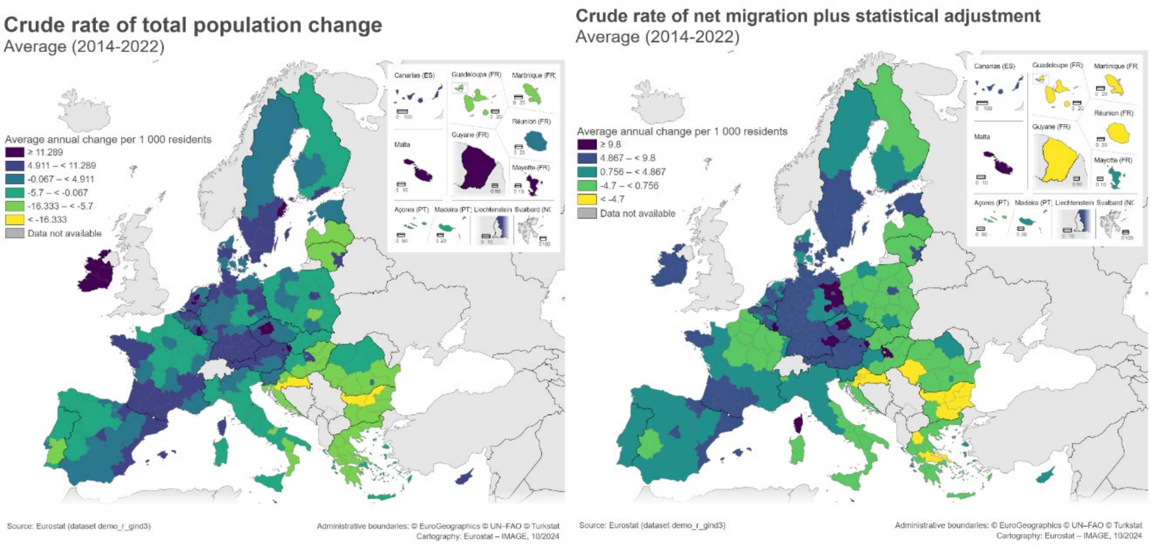
needs. Furthermore, companies must place increasing importance on managing age and diversity in all aspects of personnel management, ranging from recruitment policies and training to career development, working hours and organisational flexibility, task and job adaptation, wage and family-friendly policies. In addition, age and diversity management have to assume a growing importance in all phases of companies' personnel management: from recruitment policies to training and career development; from working hours and organisation flexibility to the adaptation of tasks and jobs; from wage and family friendly policies to measures accompanying those leaving work. Micro and small businesses (MSMEs) in traditional sectors need support in both the adoption of digital technologies and in the (re)qualification and management of their workforce.

Migration flows and intra-EU mobility

Migration flows and intra-EU mobility contribute to the diversity of population trends across EU territories. Migration from outside the EU could play an important role in compensating the declining working-age population if well managed and based on effective integration measures; otherwise, it risks increasing the congestion problems of growing EU metropolitan areas. Intra-EU mobility may lead to dramatic depopulation and brain drain trends in marginal and rural areas, which may fall into a talent development trap, limiting their potential for growth (European Commission, 2023a)[10].

As shown in Figure 2.1, over recent decades, migration flows within and outside EU countries have led to substantial increases in the overall population in some areas and depopulation in others.

Figure 2.1 – Average crude rate of total population change* and of net migration, by NUTS 2 region, 2014-2022**



Source: Eurostat https://ec.europa.eu/eurostat/databrowser/view/tgs00099/default/table?lang=en

* The crude rate of total population change is the ratio of the population change during the year to the average population in the same year. The value is expressed per 1 000 persons.

** The crude rate of net migration plus statistical adjustments measures the ratio of net migration (including statistical adjustment) during the year to the average population in that year. The value is expressed per 1000 persons. The net migration plus adjustment is calculated as the difference between the total change and the natural change of the population. The natural change of the population is given by the difference between live births and deaths.

[10] According to the Commission Communication, 46 regions are already in a talent development trap, with sharp workforce decline and low/stagnating share of tertiary-educated workers, while 36 regions are at risk of falling into a talent development trap with net outmigration-migration of their younger cohort (EC Communication "Harnessing talent in Europe's regions" COM(2023) 32 final of 17.01 2023).

Various global events and international crises have intensified migration pressures from outside the EU, as individuals seek refuge from armed conflicts, extreme poverty, human rights violations and climate change. According to Eurostat data, in 2021 approximately 2.3 million immigrants entered the EU from non-EU countries, while 1.4 million migrated from one EU Member State to another and around 1.1 million emigrated from the EU to non-EU countries. In 2022, according to data from the EU Agency for Asylum (EUAA), the EU witnessed a high inflow of asylum seekers, with nearly 1 million applicants besides the 4 million Ukrainian refugees who are not required to follow asylum procedures as they benefit from the Temporary Protection Directive[11].

Brain drain

The **brain drain** phenomenon is another dimension linked to demographic and migration challenges as well as to the dynamics of territorial labour markets. Some countries and regions register increasing outmigration-migration flows, particularly among skilled individuals and highly educated young people. According to the data portal on brain drain of the Knowledge Centre on Migration and Demography (KCMD)[12], the highest rates of working-age EU citizens living in another EU country (exceeding 50 per 1 000 inhabitants) originated from Balkan countries, Eastern Europe, Baltic and Southern Europe countries. EU movers are predominantly male (58 in 2022), young (54% were 20-34 years old in 2021) and with an increasing education level. While in 2016, 28% of movers had higher education, in 2022 this share increased to 32%. In addition, since 2017, EU movers employed in the ICT sector increased by 56% (European Commission-DG EMPL, 2024). In many regions, brain drain and the resulting shortage of individuals with tertiary education hamper economic growth and the ability to cope with economic challenges. Rural regions are particularly affected. Peripheral areas and those undergoing industrial transitions also face depopulation and outmigration, including the loss of skilled workers.

To conclude, while migration has provided a crucial buffer against the natural decline in the EU population, it has not been sufficient to fully counterbalance population losses in many areas. In addition, while metropolitan regions are experiencing population growth primarily due to immigration, rural and remote areas are facing pronounced outmigration and depopulation. These demographic changes **significantly affect labour markets and the productivity of regional economic systems as well as welfare, healthcare and education systems, altering the demand for services and products**. Furthermore, the integration of migrants presents both challenges and opportunities. A diverse population can contribute to cultural richness, but it also requires policies to promote social and economic cohesion. Addressing the balance between natural population changes and migration is crucial for economic growth and social stability.

Certain areas, particularly in some Eastern (e.g. Bulgaria, Romania, Hungary and Croatia) and Southern European countries, e.g. Italy, Portugal) and in Eastern Germany and France's North-Eastern and outermost regions, are trapped in a vicious cycle of **low talent development, marked by low shares of people with tertiary education, a shrinking and ageing workforce, economic stagnation and marginalisation** (European Commission, 2023a; 2024a). These areas struggle with limited economic diversification, reliance on declining industries and a lack of innovation capacity. Consequently, they experience underperforming labour markets, brain drain and high rates of early school leaving that

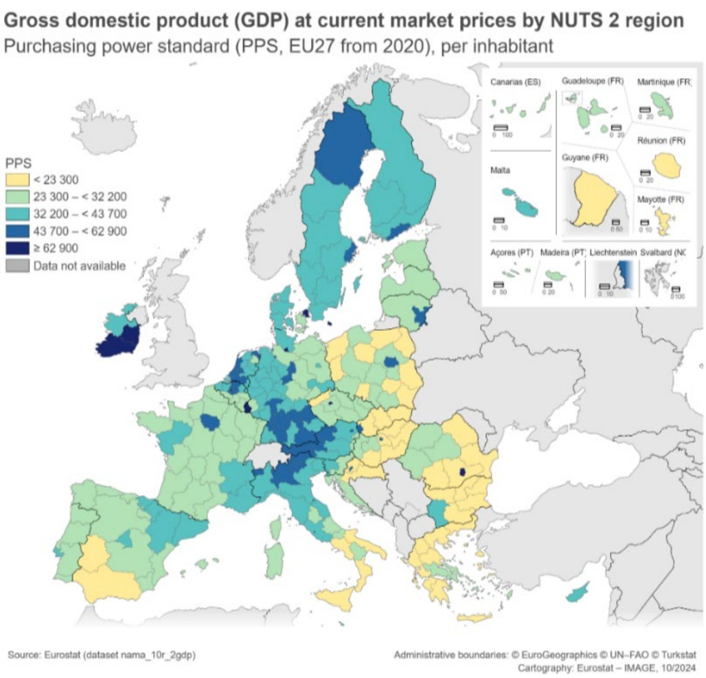
[11] https://euaa.europa.eu/latest-asylum-trends-annual-overview-2022
[12] https://migration-demography-tools.jrc.ec.europa.eu/atlas-demography/stories/AoD/2/S2.4

create a vicious circle exacerbating the talent gap and hindering efforts to build sustainable and competitive economies. Regions caught in this cycle also experience limited access to essential services. These vicious cycles and growing disparities in territorial development could lead to increased **political discontent** (Dijkstra et al., 2018; Rodriguez Pose, 2021), threatening democratic values and support for reforms.

2.2. Economic challenges, competitiveness and the digital transition

Low growth and spatial economic polarisation are significant. In 2023, 120 million EU citizens lived in less developed regions. Most of these lived in Eastern and Southern regions, with notable concentrations in Greece, Portugal, Spain, Southern Italy and in outermost regions. Around 60 million citizens live in regions (particularly in Greece and Italy) with a lower GDP per capita than in the year 2000 and nearly one third in regions with an annual GDP per capita growth of less than 0.5% since 2000.

Figure 2.2 - Gross domestic product (GDP) per capita at current market prices. NUTS 2 regions (2022)



Source: Eurostat

The patterns of subnational disparities vary among Member States. In many Eastern Member States– such as Slovakia, Bulgaria, and Romania–growing disparities have been fuelled by exceptionally high growth rates in the metropolitan regions around capital cities. In France and Greece, the increase in internal disparities can be attributed to particularly low GDP per capita growth in poorer regions. Conversely, in countries like Portugal, the decline in regional disparities has resulted from the low performance of some previously dynamic developed regions.

In many Member States, economic development is largely driven by the competitiveness of **capital regions and major urban agglomerations**. This, combined with the limited progress in other regions, results in increasing internal economic divergence. The spatial polarisation of economic growth can lead to negative externalities in urban areas, with pressures on labour and housing markets, increased congestion and pollution, while socio-economic decline in rural/peripheral areas leads to a vicious circle of outmigration and brain drain. Furthermore, spatial polarisation might prevent the full economic potential of the entire country from being realised, ultimately undermining the competitiveness of Member States and jeopardising the sustainability of their growth patterns over the long term.

Globalisation and competitiveness

Globalisation and competitive challenges linked to the growing internationalisation of markets and production processes and, more recently, to pandemic emergencies and wars, have contributed to growing global uncertainty, putting under pressure all stages in the functional and geographical distribution of production along Global Value Chains (GVC)[13] across industries and affecting the competitive capacity of EU countries and regions. As highlighted in the recent High-Level Group Report on Cohesion Policy (European Commission, 2024b) and the Draghi report (Draghi, 2024), the **decline in EU competitiveness is the most pressing structural challenge**. Over the past three decades, the EU economy has lost considerable weight on the world stage, going from being over a quarter of the global economy to less than 17%. Many regions rely heavily on single industries or production phases, which can make them vulnerable to external economic shocks. In addition, the production structure of many EU regions is slow to adapt to changes and to catch the opportunities deriving from the increasing regionalisation of global value chains on the basis of existing local capabilities (European Commission, 2023f).

Digital transition and Artificial Intelligence (AI)

Economic and competitiveness conditions are strongly affected by the **digital transition**, which comprises wide-ranging technological developments leading to a 'fifth industrial revolution' (European Commission, 2022a), whose effects are still rather uncertain in their magnitude (Frey and Osborne, 2017; Brynjolfsson and McAfee, 2011; 2014). The fifth industrial revolution is characterised by the exponential speed and pervasiveness with which **digitalisation and AI** are spreading and by the growing and changing interaction between man and machine in the development of these processes compared to the past. Predicting the precise outcome of these changes is difficult, as they lead the way for various potential evolutionary paths with both positive and negative implications for living standards, socio-economic conditions and employment prospects.

At global level, a recent World Economic Forum report (World Economic Forum 2025) indicates that over 86% of consulted companies in all sectors predict that AI will be the main driver of transformation of their business by 2030. In particular, 35% of company activities in the cognitive and decision-making processes and 65% in information and data processing will be automated. More than 75% surveyed companies intend to use big data, cloud computing and AI in the next five years, while in the commercial sector approximately 86% of the organisations interviewed intend to adopt digital platforms and apps and 75% to use e-commerce. 81% of the organisations surveyed also intend to adopt AI applications in the field of training by 2027. Education and training systems are also undergoing a digital transformation, characterised by a growing dependence on information and AI technology and distance learning modalities.

The use of digital and AI devices in economic and social activities has increased in recent years and is expected to further strongly accelerate in the coming years, driven by international competition and investments. According to Eurostat data, digitalisation is

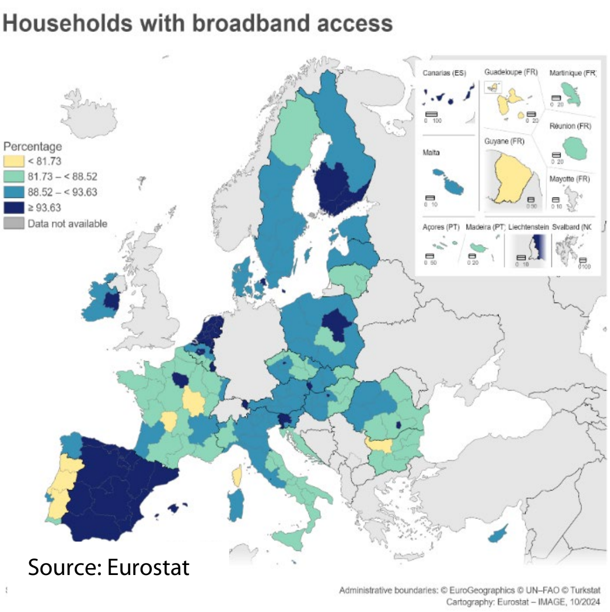
[13] In the last 50 years, increased global integration has stimulated the rise of GVCs, a production model in which firms' competitive strategies of outsourcing and offshoring lead to the fragmentation of the production phases across countries. See Enriquez, L., Smit, S. e Ablett, J. (2015), Shifting tides: Global economic scenarios for 2015–25, McKinsey & Company, September https://www.mckinsey.it/file/5277/download?token=-sLEoXUH.

rapidly growing both among businesses and individuals in the EU. In 2023, 59% of all EU businesses reached a basic level of digital intensity, 45% used cloud computing services, however only 8% used AI, with wide differences across firms' size and countries[14]. In the same year, 56% of EU citizens aged 16-74 years had at least basic overall digital skills, and almost 10 million workers were employed in ICT specialist occupations, equivalent to 4.8% of EU total employment. Individuals who accessed the internet daily reached 85.9% (compared to 62.7% registered in 2014).

If not effectively addressed at both EU and national/local levels, these trends will affect the European innovation capacity and competitiveness and exacerbate social and territorial inequalities, increasing the polarisation of employment and occupations.

Widespread and affordable broadband access becomes crucial for promoting a knowledge-based and informed society and to access work and services. In recent years, there has been a **strong growth in the availability and use of broadband access** in all EU Member States, although with wide differences across and within countries, as shown in Figure 2.3.

Figure 2.3 - Share of Households with broadband access (% in 2021)



Source: Eurostat

In 2023, 97.7% of total EU households had access to at least one fixed broadband technology and 92.2% had access to high-speed next generation services. However, rural broadband coverage remains lower than national coverage. In mid-2023, 92.2% of rural EU households had access to at least one fixed broadband technology and nearly eight in ten (78.7%) had access to high-speed next generation services (European Commission DG CNECT, 2024).

2.3. Employment and social challenges

The social and employment aims of CP in the 2014-2020 programming periods were to achieve the Europe 2020 headline targets set for 2020[15], i.e.: 75% of the population aged 20-64 should be employed; the share of early school leavers should be under 10% and at least 40% of the younger generation should have a tertiary degree; and 20 million fewer people

[14] The basic level of digital intensity was reached by only 58% of SMEs and 91% of large businesses and it ranged from 27% in Romania and 28% in Bulgaria to 80% in Sweden and 86% in Finland. Large businesses were also more likely to opt for cloud solutions (78%) compared with SMEs (44%) and again the highest shares of businesses using cloud computing was in Finland (78%), Sweden (72%) and Denmark (70%). Similarly the use of AI was more common in large businesses (30%) than in SMEs (7%). Among the EU countries, the use of AI technologies was highest in Denmark and Finland (both 15%), followed by Luxembourg and Belgium (both 14%), while it was lowest in Romania (2%), Bulgaria, Poland, Hungary and Greece (all 4%). https://ec.europa.eu/eurostat/web/interactive-publications/digitalisation-2024

[15] European Commission (2010), *EUROPE 2020 A strategy for smart, sustainable and inclusive growth,* COMMUNICATION FROM THE COMMISSION, Brussels, 3.3 2010 COM(2010) 2020.

should be at risk of poverty. Similarly, the ESF+ is meant to contribute to reaching the headline targets set for 2030 by the European Pillar of Social Rights and the Action Plan: i.e. further increase the EU-27 employment rate at or above 78%; reduce the low-educated adults and young individuals not in employment, education or training (NEET) rate to below 9%; further reduce early school leaving below 9% and increase the population aged 25-34 with a tertiary degree to at least 45%; and lift 15 million people out of poverty or social exclusion.

During the 2014-2020 programming period, the dynamics of these indicators show a mixed picture in terms of achievements, while the uneven impacts of the digital and green transition on social groups and territories may further increase **social inequalities and polarisation** in terms of income, work opportunities and access to social services, creating cycles of poverty and social exclusion and feeding discontent and social conflict.

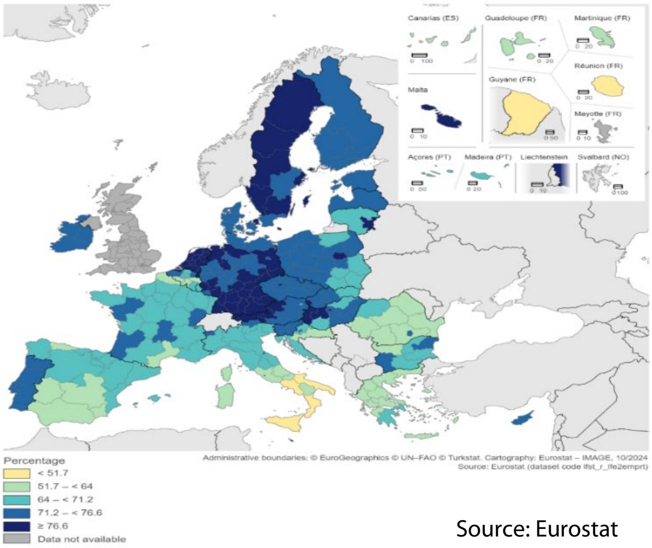
Some population groups, including the Roma, non-EU migrants and other marginalised groups, are affected by persistent poverty, lack of education and employment opportunities and limited access to housing and essential services. Poverty and social exclusion are also spreading to other social groups as well, including the 'working poor' (workers who are stuck in low-paying and unstable jobs that do not provide a reliable or sufficient income). There are also those who are trapped in long-term unemployment or inactivity, such as NEETs and women with caregiving responsibilities. Those people living in rural, remote and low-developed areas, particularly in Eastern and Southern Europe and in the periphery of metropolitan areas, are also impacted. The increase in the number of working individuals living in poverty, particularly those with lower skill levels who are being adversely affected by the green and digital transitions, coupled with the exacerbation of pre-existing inequalities, along with the integration of immigrants, pose significant challenges. These challenges require a greater capacity to implement rapid needs assessments and quick implementation of policies.

Employment challenges

Eurostat data report a **significant improvement in the average EU employment rate of the population aged 20-64 in the 2014-2020 period** (+4.1 pp) and a recovery since the 2020 COVID-19 slowdown that allowed the Europe 2020 target of 75% to be reached in 2022. However, **labour market inequalities persist**, affecting both access to employment and the quality of available job opportunities. Employment rates reveal significant differences across and within EU Member States.

For instance, in 2023, countries such as the Netherlands, Sweden and Estonia report some of the highest and increasing employment rates, namely 83.5% (+9.3 pp compared to 2014), 82.6% (+14.3 pp) and 82.1% (+3.4 pp). In contrast, Southern and European countries such as Italy (66.3%; +6.8 pp), Greece (67.4%; +14.3 pp) and Romania (68.7%; +10.7 pp) struggle with lower, although strongly increasing, employment rates primarily due to sluggish economic growth, youth unemployment and the negative impact of demographic factors.

Figure 2.4 - Employment rates at regional level in 2023 (15-64)



Source: Eurostat

At regional level, employment rates range from the lowest values in Guyane – FR (43.8%) and in some regions in Southern Italy, specifically in Campania (44.4%), Calabria (44.6%) and Sicily (44.9%), to the highest rates in Dutch regions, namely Overijssel (83.9%), Utrecht (84%) and Noord-Brabant (84.1%).

Women, young people, persons with a foreign or ethnic origin and those with a disability face higher barriers to entering the labour market and quality employment.

Women, on average, participate less in the labour market and record lower employment rates and wages, despite having, on average, higher education levels than men. In 2023, women's employment rates were still 10.2 pp lower than those of men. Women are also more likely than men to be employed part-time and usually face lower wages compared to men[16], being more likely than men to work in low-wage sectors and constituting the majority of minimum wage earners in the EU (Eurofound, 2022).

Gender equality indeed remains a relevant overall challenge in the EU, as gender disparities in employment and horizontal and vertical segregation persist in the EU labour market, with slow progress over time.

Young people also tend to face more difficulties in entering and staying in the labour market compared to older age groups. The difficulties experienced by young people in the labour market are reflected in high youth **NEET rates** (15-29), which, although declining, are still relatively high at 11.2% on average in the EU-27, especially in some Eastern and Southern European countries with the highest values in Romania (19. 3%), Italy (16.1%) and Greece (16%).

Immigrants also often register worse labour market conditions than natives. Their employment rate, although increasing since 2012, in the EU-27 is still 3 pp lower than that of natives in 2022, with the largest gaps in employment rates compared to natives registered in Bulgaria (15 pp) and the Netherlands (14 pp). The largest gaps in employment rates are registered among women: while native and immigrant men have had similar employment rates between 2012 and 2022, immigrant women have consistently had lower employment rates compared to native women.

[16] In the EU, the unadjusted gender pay gap on gross hourly wages, although narrowing, remained high: in 2014 women's earnings were 15.7% lower than those of men, dropping to 12.7% lower than men's in 2021 and 2022 (Eurostat Gender Pay Gap Statistics, March 2024).
https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Gender_pay_gap_statistics#Gender_pay_gap_levels_vary_significantly_across_EU

Similarly, **persons with disability** (with some degree of disability or severe disability) continue to have much lower probabilities of being employed compared to those without disability. The disability employment gap in the EU-27 was still at 21.4 pp in 2022. Persons with disabilities also show higher early school leaving rates and risks of poverty and social exclusion than those without[17]. The barriers they face to accessing employment and social rights depend on the type and level of disability (mild/moderate/severe) and are amplified by other personal characteristics, including gender, age, ethnicity and migrant status.

The **transition towards digitalisation and AI in production processes**, coupled with the expansion of the knowledge economy, **is revolutionising employment dynamics, working conditions and consumption patterns,** leading to notable shifts in employment trends, job structures and skill requirements, as illustrated in Box 2.1 below.

Box 2. 1 Effects of the digital and AI transition on employment and skills

Digitalisation and AI are having significant effects on the organisation and the content of work.

Teleworking will continue to be a relevant way of working, particularly in certain sectors and professions. The ongoing debate highlights the opportunities and risks and the need for some form of regulation[18]. Another important consequence of digitalisation concerns the ever-increasing spread of the so-called **gig or platform economy** (Vitaud, 2016), characterised by a fragmentation of employment relationships and the prevalence of self-employment (freelance work, occasional work, etc.) activated when there is demand for one's services, products or skills and digital platforms and applications for the matching between supply and demand (Semenza and Pichault, 2019).

As seen from the US experience (Zysman and Kenney, 2015), these trends significantly reduce transaction costs, encouraging the development of new forms of self-employment characterised by flexible scheduling. However, this also implies discontinuous work and income patterns and a lack of social security and employment rights, which increases the risk of poverty, as indicated by the growing share of the working poor that in the EU reached 8.3% of the working population in 2023[19]. There is, therefore, a need to revise employment regulation and social protection for atypical workers (platform workers, freelancers, on-call workers) and to support their involvement in upskilling and in public labour market policies.

The ongoing rapid evolution of AI, and particularly of **generative AI, is likely to have very different effects from those recorded so far and make the employment scenarios very uncertain**.

Most of the relevant literature underlines that digitalisation and AI will strengthen the already ongoing trend towards a polarisation of employment and occupations. The most recent forecasts from the World Economic Forum (World Economic Forum, 2025; Van Eerd and Guo, 2020; Chhabria P., Whiting K., 2024) expect that the nature of work and occupations

[17] According to the most recent Eurostat data, in 2022, 28.8% of persons with disabilities are at risk of poverty or social exclusion compared to 18.3% of those without limitations (https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Disability_statistics_-_poverty_and_income_inequalities).

[18] By allowing to work more flexibly in terms of hours and locations, digital technologies can help increase productivity and efficiency in work organisation and reduce workspace costs for businesses. For workers, remote working can help reduce transport times and better reconcile work and life tasks, facilitating female employment and that of people with disabilities (Samek Lodovici et al., 2021).

[19] The working poor are employed people (employees or self-employed) whose income is below the poverty threshold. More precisely, they are people that work for over half of the year and whose equivalised disposable household income is below 60% of the national household median income level. The equivalised disposable income is the total income of a household, after tax and other deductions, that is available for spending or saving, divided by the number of adults (18 years or over).

will profoundly change in the next ten years. According to the results of the business survey of the World Economic Forum, advancements in AI and information processing; robotics and automation; and energy generation, storage and distribution are "expected to have a divergent effect on jobs, driving both the fastest-growing and fastest-declining roles and fuelling demand for technology-related skills, including AI and big data, networks and cybersecurity and technological literacy, which are anticipated to be the top three fastest growing skills" (World Economic Forum, 2025 p. 5). A recent Mc Kinsey report (Mc Kinsey, 2023) points out that with the digitalisation of all sectors, including 'traditional' ones, almost 22% of current jobs in Europe could be automated by 2030, especially medium- and low-skilled clerical positions, like administrative and accounting roles cashiers, data entry clerks, bank tellers and related clerks, programmers, etc. AI could also affect the employment of highly qualified professions, having an unprecedented potential for applications even in complex tasks (such as editorial content writing and translations) although for now it is considered unlikely that it can replace jobs that require problem solving and the creation of new ideas. In particular, managerial roles and technology-related occupations (including Big Data Specialists, Fintech Engineers, AI and Machine Learning Specialists, Software and Application Developers, Information Security Analysists) are expected to be the fastest growing in percentage terms. Green and energy transition occupations (including Autonomous and Electric Vehicle Specialists, Environmental Engineers and Renewable Energy Engineers) also feature among the top fastest-growing roles (World Economic Forum, 2025). Among the occupations that are declining most rapidly compared to their current size are administrative or secretarial roles, editorial content writers, translators.

Mc Kinsey estimates that three sectors will concentrate more than 70% of employment growth: the social and healthcare sector; professional, technical and scientific services; and the education and training sector. Investments in the green economy will increase the need for green jobs. Additionally, as the population continues to age in many advanced economies, the demand for nurses, home care workers, technicians specialising in support devices for older persons and those with disabilities will rise. It is also expected that for elderly and disability support devices, etc., the demand for teachers and trainers will continue into the next decade, while the growing use of e-commerce will increase the demand for warehouse workers.

Education and skills shortages

Educational attainment is a key determinant of socio-economic growth: the higher the educational level, the higher the probability of having good employment and income opportunities, better health and living conditions and higher growth potentials.

Digitalisation and AI are increasingly demanding **digital skills and transversal skills** (the so-called soft skills), not easily replaceable by technology and fundamental for rapid adaptation to new technologies and changes in production processes. These skills require critical thinking, problem solving and self-management, learning capacity, stress tolerance and flexibility as well as the ability to interact with others, including individuals from other cultures and generations. These skills are necessary both in highly qualified professions and in many professions considered low-skilled, such as personal care. **Technical and specialist skills** will continue to be demanded, requiring constant investment in training and updating to avoid their rapid obsolescence in a continuously and rapidly evolving technological context. Moreover, high levels of education will be essential to guarantee the ability to continue updating and learning across one's lifetime. Cedefop estimates that in 2030, highly educated and skilled workers will represent between 36.5% and 41% of total employment (Cedefop, 2019).

In the EU in recent years, the share of people with a tertiary education level has been increasing, with positive effects on employment rates and the reduction of poverty and social exclusion risks. In particular, the share of the population aged 30 to 34 having completed tertiary or equivalent education strongly increased, reaching 43.9% in 2023 (from 36.5% in 2014) and surpassing the Europe 2020 target already in 2019. The increase is higher among women compared to men, although gender segregation in fields of study remains high and persistent, largely linked to gender stereotypes that influence subject choices and career aspirations for girls and boys.

Nevertheless, in 2023, **almost one fifth (20.2%) of the EU population aged 25-64 had a very low educational attainment level** (primary and lower secondary education) with even higher shares in Southern countries, Portugal (40.6%), Spain (35.8%), Italy (34.5%) and Malta (31.9%). The share of **early school leavers**[20], although declining, was still at 9.5% in 2023, with peaks of 16.6% in Romania, 13.7% in Spain and 12.8% in Germany. In addition, the trend of educational achievement of 15-year-old pupils, measured by the PISA tests, registered worse results in 2018 compared to those in 2015 in most Member States, especially in reading and sciences. One in five EU 15-year-old students failed to reach the basic skill level achievement in reading, mathematics and sciences, with peaks above 40% in some Member States (Bulgaria, Cyprus, Romania).

Adult participation in education and training (whether formal or non-formal) also remains low on average in the EU at 12.8% of the EU population aged 25-64 in 2023[21].

Skills shortages and **mismatches** are therefore increasing **in various regions throughout Europe** and they are expected to increase more in the coming years due to the rapid advancement of the digital and green transitions.

Poverty and social exclusion

Although the number of people at risk of poverty or social exclusion had been steadily decreasing between the 2012 peak and 2019, it rose again in 2020 due to the COVID-19 pandemic and has since remained stable. In addition, inflation is increasing poverty unevenly across the EU. A Joint Research Centre study (Menyhert, B., 2022) finds that inflation has likely deepened material and social deprivation, absolute and energy poverty, widening existing social inequalities within the EU.

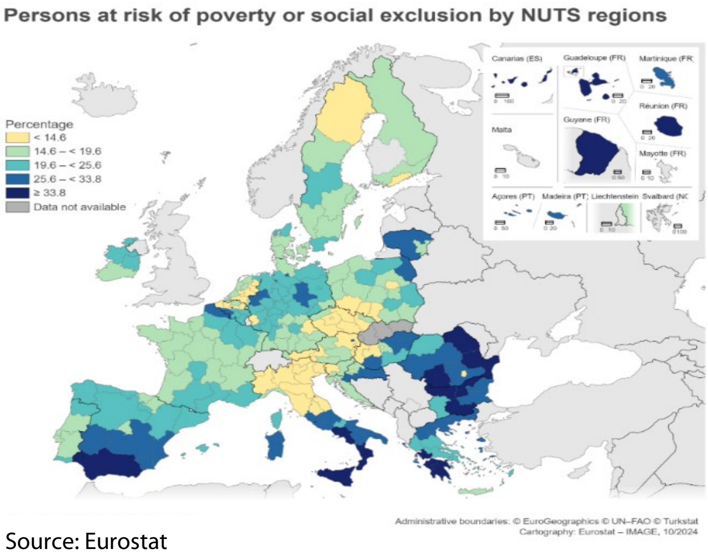
In 2023, there were **still 94.6 million people at risk of poverty** and social exclusion in the EU-27, equivalent to **one fifth (21.3%) of the population**. Poverty reduction therefore remains among the most critical objectives in the social policy of the EU.

Eurostat data presented in Figure 2.5 highlight wide disparities in poverty rates among and within Member States. Eastern and Southern European countries experience notably higher rates of poverty and social exclusion, e.g. Romania (32%), Bulgaria (30%), Spain (26.5%) and Greece (26.1%), resulting from the ongoing impact of structural economic and employment difficulties and insufficient social safety nets. Conversely, countries such as Czechia (12%), Poland (16.3%), the Netherlands (17%) and Denmark (17.9%) show much lower rates. This can be attributed to stronger welfare systems and effective policies aimed at reducing inequality.

[20] Defined by Eurostat as the 18-24-year-olds in the EU had completed at most a lower secondary education and were not in further education or training (early leavers).

[21] According to the EU Labour Force Survey, which relates to training occurring in the four weeks before the survey interview.

Figure 2.5 - Persons at risk of poverty and social exclusion by NUTS2 regions



Source: Eurostat

Risk of poverty or social exclusion rates are particularly high among vulnerable groups (e.g. households with low work intensity, single-parent women, low-qualified individuals, migrants and ethnic minorities, children and young people) (Eurostat, 2024e). The COVID-19 pandemic has disproportionally impacted women with care responsibilities, young people and other disadvantaged groups, including migrants and ethnic minorities, aggravating their already challenging socio-economic and employment circumstances, partly because they were less likely to be employed in permanent contracts with access to social protection and also because they were more exposed to health risks in many essential sectors. In addition, the reduction in the provision of social services and the increased use of teleworking and distance learning due to social distancing negatively affected those vulnerable groups in need of direct social support.

In the future, also individuals lacking technology literacy or having limited access to broadband infrastructures, may face heightened challenges in accessing employment opportunities as well as essential social, health, education, training and cultural services, that are increasingly digitalised.

2.4. Territorial disparities and the urban-rural divide

Territorial disparities

Territorial disparities refer to the unequal distribution of resources, opportunities and services. These disparities are still **relevant in the EU and the convergence process in the last decades shows different regional patterns**. As underlined in the European Commission's 9th Cohesion Report (European Commission, 2024a), while Eastern EU countries have shown progress in social inclusion and poverty reduction, Southern EU countries have experienced stagnation. **Rural areas in the East and South of the EU are particularly affected** by poverty, though poverty can also be found in developed urban areas among marginalised communities. These groups face challenges, such as rising costs of living and housing shortages, limited access to education, employment opportunities and basic services.

In particular, the lack of affordable, adequate, accessible and energy-efficient housing contributes to major social exclusion and economic risks in EU cities and regions, with high human and economic costs. In 2022, Eurostat reports that 16.8% of the EU population lived in overcrowded households with considerable country difference as this share ranged from 41.7% in Latvia to 2.2% in Cyprus. The share of EU population unable to keep their homes adequately warm reached 9.3%, with a peak of 22.5% in Bulgaria; 8.7% of the EU population spent 40% or more of their household disposable income on housing (Eurostat, 2023). Investment in social housing infrastructures is therefore one of the key factors supporting both people's welfare and well-being (including physical and mental health) and economic growth and socio-economic cohesion, particularly in communities at risk of social exclusion.

Urban-rural divide

Territorial disparities often **mirror an urban-rural divide**. Economic opportunities are often concentrated in **urban areas**, particularly capital metropolitan regions, which attract national and international investments and a skilled workforce, supporting economic growth. This is primarily because of the presence of diversified business activities that offer a wide range of employment opportunities, high wages and access to social services and healthcare as well as high-quality educational facilities, transportation and digital infrastructure, all of which contribute to a higher standard of living than in rural areas.

In contrast, **regions with declining or underdeveloped productive systems** struggle to attract investments and tend to register high unemployment and brain drain phenomena. **Rural, mountain, sparsely populated and remote/outermost regions**, particularly in EU Eastern and Southern countries, are trapped in a **vicious cycle of brain drain and depopulation**, lack of employment and education opportunities, poor connectivity infrastructures and limited essential services, due to geographical barriers and high production costs. In fact, the average income in rural areas is just 87.5% of that in urban areas, though between 2001 and 2021, non-urban regions, on average, recorded a significantly higher GDP per capita growth of 1.5%, compared to just 0.8% in urban regions. This trend diverges in Eastern Member States, where growth is largely driven by major urban centres and capital cities (European Commission, 2024a).

These territorial disparities exacerbate the situation for several regions that are experiencing economic stagnation or decline, increasing the risk of falling into a **development trap**. As underlined in the recent report of the High-Level Group on the Future of Cohesion Policy (European Commission, 2024b): 'In 2023, more than 60 million EU citizens live in regions with GDP per head lower than in the year 2000. An additional 75 million in regions with near-zero growth. Collectively, about 135 million people, nearly one third of the EU population, live in places which, in the last two decades, have slowly fallen behind'. Regions at risk may lag behind both EU and national average growth rates and even behind their own past performance. Among these regions are also some former industrial regions in developed countries, struggling to find effective solutions to restore past economic conditions, leading to growing political discontent. The report highlights that many 'transition regions', including former industrial areas, have registered low performances and may face reduced support from EU Cohesion Policy once overcoming the 75% of EU average GDP per capita thresholds[22].

Difficulties are, however, emerging also in the more advanced contexts, where high economic growth is often combined with new forms of inequality and increasing poverty and social exclusion. Capital metropolitan regions attract knowledge economy investments

[22] For further insights, see Iammarino et al. (2020) and Diemer et al. (2022).

thanks to their positive externalities related to the concentration of human capital and high connectivity and quality services, although at the cost of congestion, housing shortages, rising pollution and growing inequalities, with vulnerable groups often excluded from benefiting from the positive agglomeration economies[23].

2.5. Disparities in institutional and administrative capacity

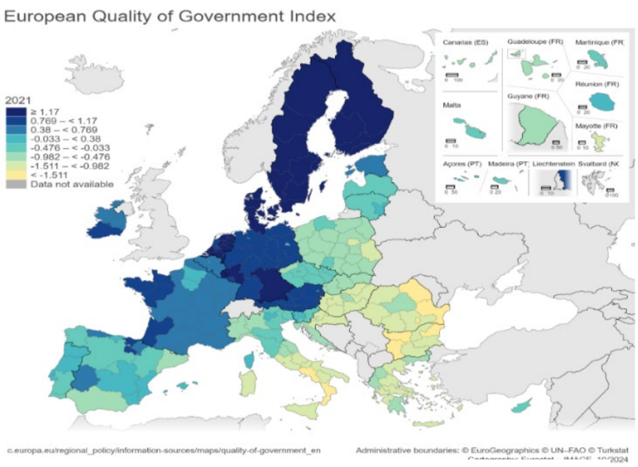
Institutions are crucial for policy effectiveness and socio-economic growth, as pointed out in the work of Acemoglu et al., Johnson and Robinson, 2001; Acemoglu and Robinson, 2012; Acemoglu D. and Johnson, 2023.

The institutional and administrative capacity at all levels (European, national, regional and local) is considered a challenge by all EU interviewees, as they affect the ability to improve policy making, regulations and reforms.

The institutional **capacity and the efficiency of public administration** varies significantly **across** the **EU countries and regions**. The **quality of government** tends to be lower in less-developed and transition regions compared to more developed ones. Nevertheless, partnerships, multilevel governance and stakeholders' empowerment, promoted by the EU, have contributed to improving the capacity of public administrations to address the population needs on the ground, particularly in the case of the most vulnerable target groups.

The **European Quality of Government Index - EQI**[24] (2021) measures citizens' perceptions and experiences regarding corruption, service quality and impartiality of essential public services (healthcare, education and policing) in their region of residence.

Figure 2.6 - European Quality of Government Index –2021



Source: European Commission, DG Regional and Urban Policy

Figure 2.6 shows that this index highlights wide disparities both across and within EU Member States. All Nordic regions (in Sweden, Denmark and Finland) and most regions in Central Europe (e.g. in Austria, the Netherlands, Germany and parts of France) stand out for the perceived quality of their government system and the efficiency of essential public services, exceeding the European average and thus reflecting high standards of service delivery, transparency and accountability. In contrast, many regions in Eastern and Southern Europe, such as those in Romania, Bulgaria, Greece and Italy, face significant shortcomings and

[23] Agglomeration economies occur when a large number of companies, services and industries localise in close proximity to one another and benefit from the cost reductions and efficiency gains resulting from this proximity. Benefits arise from the spatial agglomeration of physical capital, companies, consumers and workers, thanks to: low transportation costs; attraction of labour, including high skilled labour; attraction of education, R&D facilities and knowledge spillovers. Rosenthal, Stuart S., and William C. Strange. 2020. "How Close Is Close? The Spatial Reach of Agglomeration Economies." *Journal of Economic Perspectives,* 34 (3): 27-49.

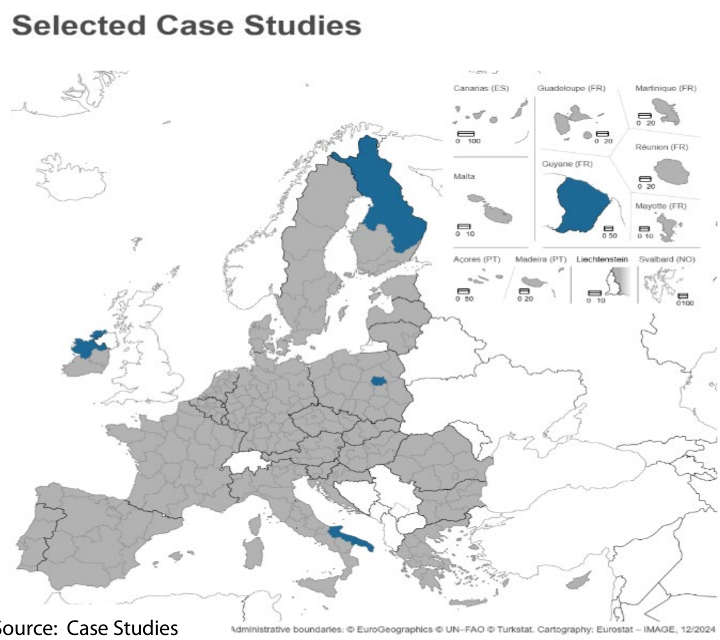
[24] The European Quality of Government Index (EQI) assesses European citizens' perceptions of the quality of government in their respective countries, focusing on corruption, service quality and impartiality, particularly in three essential public services: healthcare, education and policing. This evaluation is based on the largest survey ever conducted on this topic. So far, results from four editions have been published, covering the years 2010, 2013, 2017 and 2021. Link: https://ec.europa.eu/regional_policy/information-sources/maps/quality-of-government_en

challenges, as evidenced by lower indices of governance quality, while the Iberian Peninsula shows strong internal differences in terms of the EQI index.

2.6. Main challenges in the five regional case studies

The selected regional case studies, mapped in Figure 2.7, share some common as well as some different challenges, shaped by their specific geographical and socio-economic conditions. As summarised in Table 2.1, some regions, like the Warsaw Capital Region, are more advanced in innovation and infrastructure, while others, like Apulia and Guyane, struggle with underinvestment and socio-economic inequalities as well as significant outmigration and brain drain in rural and internal areas, i.e. territories far away from main centres and facing high unemployment and risks of depopulation, poverty and marginalisation.

Figure 2.7 - Location of the five selected case studies



Source: Case Studies

Demographic changes, urbanisation and migration are central issues, whether related to managing rapid population growth as in the Warsaw Capital Region and Guyane or addressing population decline as in Eastern and Northern Finland and Apulia or dealing with internal migration as in the Northern and Western Region of Ireland.

All these regions **struggle with fostering innovation and tackling socio-economic inequalities**, with rural and internal areas[25]. The **digital divide** is also a common challenge, impacting the ability of these regions to fully participate in the knowledge economy.

Table 1 - Overview of the selected case studies

Regional Case Study (NUTS2 level)	Geographical Area	Regional Typology	Category of Region (ERDF/ESF+)	Main Challenges
Guyane (FRY3)	France: Continental country	Outermost region	Less developed region	• Rapid population growth and high youth outmigration and brain drain. • Very low per capita GDP and rates of education and employment. • High poverty and low infrastructure deployment. • Prevalence of informal economy[26], low digitalisation and economic growth. • Territorial fragmentation.

[25] 'Inner Areas' are fragile territories, far away from main centres of supply of essential services and too often abandoned to themselves.

[26] 'The informal economy refers to all economic activities by workers and economic units that are in law or in practice not covered or insufficiently covered by formal arrangements' (ILO, 2022). It may also be defined as grey economy, shadow economy or underground economy. It is not monitored in national accounts and is not taxed. Workers in the informal economy are unreported so that employers can circumvent regulations on minimum wages, working conditions, social security contributions, welfare protection and benefits.

Pohjois-jaltä Suomi (FI1D)	Finland: Nordic country	Sparsely populated region/ Border region	Transition region	• Sparsely populated area, including the Sámi minority. • Declining and ageing population. • Youth outmigration and brain drain. • Economic stagnation and shortage of skilled labour together with high unemployment. • Negative socio-economic conditions (e.g. health issues, high alcohol use, low educational attainment). • Technological divide, particularly in high-speed broadband connectivity.
Puglia (ITF4)	Italy: Southern country	Region combining rural areas and an urban centre	Less developed region	• Significant outmigration and brain drain in internal areas. • Low GDP per capita, high unemployment rates and limited infrastructure development. • Informal economy relevant. • Modest investment in innovation, R&D and digital infrastructure. • Significant digital divide between urban and rural areas.
Warszawski stołeczny (PL91)	Poland: Eastern country	Region containing the capital area	More developed region	• Among the wealthier regions in Poland, rapidly growing metropolitan area. • However, lack of a robust innovation ecosystem, absence of technology districts and underutilised potential for public-private collaboration in innovation. • High immigration flows from other areas and population growth are challenging public services provision, the housing market and contributing to ghettoisation. • Warsaw's satellite cities (i.e. smaller municipalities at the edge or periphery of the metropolitan area) face challenges from an ageing population.
Northern and Western (IE04)	Ireland: Anglo-Saxon country	Predominantly rural region	Transition region	• Strong internal disparities between the few urban centres and the surrounding rural areas. • Lower GDP per capita, driven by a predominantly rural economy and brain drain from rural areas. • Low innovation capacity compared to other Irish regions: low R&D expenditures, employed ICT specialists and knowledge-intensive activities. • Poor broadband availability in rural areas.

3. THE CONTRIBUTION OF COHESION POLICY TO ADDRESSING THE IDENTIFIED CHALLENGES

KEY FINDINGS

- Cohesion Policy is **one of the EU's main instruments** to tackle socio-economic and demographic challenges at territorial level.
- **The total resources allocated in 2014-2020 to Intervention Fields with expected effects on socio-economic challenges** (excluding those related to the green and energy transition) represented 84% of total planned allocations. In the current 2021-2027 programming period, these resources are 72% of total planned allocations.
- **CP has been effective in reducing regional disparities and supporting economic recovery, particularly in less-developed regions**, thanks to its focus on these regions and its place-based approach.
- CP investments have **stimulated long-term growth and competitiveness**, have **improved access to goods and services through physical and digital infrastructure and increased connectivity**. They have also **supported local economies** by improving innovation and entrepreneurship through support for SMEs, **improved human capital** with training and education and **social inclusion and poverty reduction**. CP has also supported **institutional capacity building** for better governance, cooperation and administrative efficiency.
- CP has contributed to tackle the specific challenges of the considered **regional cases**. Achievements have been mainly observed in the fields of competitiveness and innovation in SMEs (Finland, Poland, Italy and Ireland) and in the social and employment fields: youth employment (Guyane, Finnish cases), upskilling (Guyane, Apulia), job creation and reskilling (Finnish, Irish cases) and fighting social exclusion (Finnish, Irish, Italian cases).

3.1. Cohesion Policy budget, priorities and composition in the 2014-2020 and 2021-2027 programming periods

Cohesion Policy (CP), which includes the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Cohesion Fund (CF), is among the EU's primary instruments to tackle the regional demographic and socio-economic challenges presented in the previous Chapter 2.

The aim of CP is to reduce socio-economic, demographic and territorial inequalities and promote the socio-economic well-being and quality of life for citizens in EU regions through interventions supporting regional sustainable development, based on innovation, research and skills, business competitiveness, job creation and social inclusion. Together with other EU initiatives, CP has played a crucial role in improving employment and social conditions across the EU in the past two decades following the latest enlargement. Due to its significant role in redistributing funds, according to the development level of regions within the EU, CP became the most important source of investment when fiscal consolidation[27] after the 2008

[27] Fiscal consolidation refers to the process of reducing government debt through a combination of spending cuts and tax increases, particularly in the aftermath of the 2008 global financial crisis.

global crisis reduced national public investments. CP investments accounted for 34% of total public investments (including those not supported with Cohesion Funds) in less and moderately developed Member States in the 2007-2013 programming period and for 52% of total public investments in the 2014-2020 period, when CP also played an important role in addressing the disruptive effects of the COVID-19 crisis and the refugee crisis following Russia's war of aggression against Ukraine (European Commission, 2021a).

The EU budget allocated to **CP for the 2014-2020 programming period** was around EUR 394 billion (at current prices), equivalent to about 0.3% of EU-28 GDP[28]. CP investments were distributed on **11 EU Thematic Objectives** (European Commission, 2021a):

- Thematic Objectives 1-3 targeting R&D and innovation (TO1), information and communication technologies (TO2), SMEs competitiveness (TO3). Investments in these thematic objectives are mainly financed by the ERDF.
- Thematic Objectives 4-7 targeted at shifting towards a low carbon economy (TO4), climate change adaptation (TO5), environment protection (TO6) and sustainable transportation and network infrastructures (TO7), financed by the ERDF and CF.
- Thematic objectives 8-11 aimed at improving the quality of employment and increasing labour mobility (TO8), promoting social inclusion and combating poverty (TO9), investing in education, training and lifelong learning (TO10) and improving the efficiency of public administrations (TO 11), mainly financed by the ESF.

Each thematic objective was then broken down into 123 Intervention Fields (IFs).

Considering both the EU and national allocations, the most recent data from the Open Cohesion Portal report that **a total of EUR 515.5 billion has been allocated to Cohesion Policy Funds in the 2014-2020** programming period, of which EUR 292.7 billion was under the ERDF, EUR 140 billion under the ESF, EUR 72.4 billion under the Cohesion Fund and EUR 10.4 billion under the Youth Employment Initiative (YEI). By the end of July 2024, **EUR 493.4 billion had been spent, equivalent to 95.8% of planned allocations**.

The largest investments (34.6%) concerned interventions to improve the competitiveness of EU countries and regions (Smarter Europe), including support to: Research and Innovation (TO1, accounting for 11.1% of total CP eligible expenditures), SMEs competitiveness (TO3, 9.3%) and transportation infrastructures (TO7, 12.7%), **mainly funded by the ERDF.**

Almost one third of total spending (31.6%) regarded support to **Social Europe**, mainly funded with the ESF: employment (TO8, accounting for 8.4% of total CP eligible expenditures), social inclusion (TO9, 8.0%), education and training (TO10, 7.2%), besides expenditures for outermost regions (TO12, 0.2%) and for crisis resilience (TO13, 6.9%). Support to capacity building in Public Administrations (TO11) accounted for 0.9% of total eligible expenditures, while Technical Assistance absorbed 3.2% of total eligible expenditures. A relatively large share (17.5%) related to multiple TOs funded by different funds.

The most recent data from the Open Cohesion Portal on the EU and national allocations report that **a total of EUR 527.7 billion has been allocated to Cohesion Policy Funds in the 2021-2027 programming period**, EUR 12.2 billion more than in the previous programming period. EUR 309.8 billion has been allocated under the ERDF (58.3%),

[28] Including the UK, which has been part of the EU until 2020.

EUR 142 billion under the ESF+ (26.9%), EUR 49.2 billion under the Cohesion Fund (9.3%) and EUR 26.7 billion under the Just Transition Fund (JTF). The new JTF is meant to cushion the socio-economic impacts of the transition towards climate neutrality for those regions likely to be most affected by the green transition, because they are dependent on solid fossil fuels (such as coal, peat and oil shale) and on carbon-intensive industries.

As in the previous programming period, the ERDF and ESF+ are allocated in the three categories of regions according to their development level[29]. Some countries benefit from the CF, while some regions with specific needs (outermost regions and sparsely populated areas) receive dedicated funding. All countries benefit from the JTF.

The focus of the current EU Cohesion Policy framework (2021-2027) is on **five investment priorities**, while capacity building and cooperation with partners are horizontal priorities:

- a Smarter and more competitive Europe (PO1), mainly tackling economic and technological challenges through innovation, digitisation, economic transformation and support to small and medium-sized businesses;
- a Greener, carbon-free Europe (PO2), implementing the Paris Agreement and investing in energy transition, renewables and in the fight against climate change;
- a more Connected Europe (PO3), with investments in strategic transport and digital networks;
- a more Social Europe (PO4), mainly tackling employment and social challenges, delivering on the European Pillar of Social Rights and its Action Plan, supporting quality employment, education, skills, social inclusion and equal access to healthcare;
- a Europe closer to citizens (PO5), supporting locally led development strategies and sustainable urban development across the EU.

Excluding planned allocations to JTF and Greener Europe (PO2), both addressing environmental challenges, Open Cohesion Data for the **2021-2027 programming period** show that **planned resources tackling the socio–economic and demographic challenges considered in Chapter 2** include: EUR 165.6 billion (equivalent to 33% of total planned resources) for PO4 related to '**Social Europe**'; EUR 114.4 billion (22.8%) to PO1 '**Smarter Europe**'; EUR 53.5 billion (10.7%) to PO3 '**Connected Europe**'; and EUR 26.9 billion (5.4%) to PO5 '**Europe closer to citizens**', both addressing territorial challenges. A significant amount has been planned to support administrative and institutional capacity, with almost EUR 13 billion allocated to Technical Assistance (equivalent to 2.5% of total planned allocations).

Compared to the 2014-2020 period, the current 2021-2027 programmes show[30]:

- Greater thematic financial concentration on the green and digital transitions.
- Greater attention on territories with specific development challenges, including rural areas, areas facing demographic decline with natural handicaps and outermost regions.

[29] The categorisation of regions and maximum funding follow slightly different criteria in the programming period 2021-2027 compared to 2014-2020: more developed regions are those with GDP per capita greater than 100% of the EU-27 average, with EU co-financing between 40% or 50% (for those that were transitions regions in 2014-20); transition regions are those with a per-capita GDP between 75% and 100% of EU-27 average, with a co-financing between 60% or 70% (for former less developed regions in 2014-2020); less developed regions with a GDP per capita below 75% of the average EU27 and GDP per capita and co-financing at 85%. https://ec.europa.eu/regional_policy/2021-2027_en

[30] https://ec.europa.eu/regional_policy/2021-2027_en

- Stronger focus on urban areas, in line with the European Urban Initiative, to develop a coherent approach to urban areas, integrating existing tools for cities and towns.
- Greater focus on Interregional Innovative Investments to support excellence in research and innovation by interregional cooperation.
- More flexible and simpler Common Provisions Regulations (CPR), providing for: a mid-term review to allocate some flexible amounts and to mobilise EU resources faster in case of unexpected challenges; a single CPR for all the shared management funds; fewer checks for programmes with a good record of accomplishment; increased reliance on national systems and the extension of the 'single audit' principles.

3.2. The contribution of Cohesion Policy to address demographic, socio-economic and technological challenges

This section presents firstly Cohesion Policy planned financial allocations in the considered programming periods (2014-2020 and 2021-2027) and eligible expenditures for interventions addressing the socio-economic challenges analysed in Chapter 2. The analysis is based on our classification of CP Intervention Fields (IFs) according to their potential effects on the considered demographic and socio-economic challenges. The available evidence on the results and estimated macroeconomic effects of Cohesion Policy in the 2014-2020 period and its contribution to addressing the considered challenges is then presented in sub-section 3.2.2, together with the expected contribution of the 2021-2027 programmes. It is not possible to present the actual demographic and socio-economic effects of CP, because an in-depth evaluation is still on-going at European level.

3.2.1. Planned allocations and expenditures on interventions addressing the considered demographic and socio-economic challenges

According to our classification, in the **2014-2020 programming period**, the overall planned allocations for the IFs with expected effects on socio-economic, technological and demographic challenges (excluding those related to the green and energy transition) amount to **EUR 430.7 billion, equivalent to 84% of total planned allocations**, while total eligible expenditures on IFs addressing demographic and socio-economic challenges are equal to EUR 415.1 billion (also 84% of total Cohesion expenditures).

There are wide differences across Member States in the proportion of resources invested in IFs addressing different socio-economic challenges, which reflect the diversity of national and regional socio-economic contexts, needs, and priorities.

In the 2014-2020 period, all Member States present a very high proportion of total resources invested in Intervention Fields addressing the **economic and competitiveness challenges** due to the higher volume of resources allocated to the ERDF and CF funds compared to the ESF (Table 3.1a). In nine countries (AT, BE, DE, DK, FI, IE, LU, NL and SE), all the invested resources refer to IFs addressing these challenges. **Poland** is the country where the share of resources spent on addressing the challenges of the **digital transition** (EUR 51.6 billion) are significantly higher than those spent in the other European countries, representing 65% of total eligible expenditures (vs 47% of the EU-27 average); other countries with high shares of expenditures on IFs addressing the digital transition are Latvia (67%), Czechia (66%), Malta (64%) and Estonia and Luxembourg (62%).

In contrast, **Ireland** shows the highest share of spending on IFs addressing **social and employment challenges**, reaching 92%, 20 pp higher than the EU-27 average (72%). Also in

Cyprus, Spain, Luxembourg, Malta and Romania, the expenditure in interventions addressing social challenges is much higher than the EU average (above 80%), while on the contrary, Austria shows the lowest share in investment addressing social challenges (29%). **Ireland** also shows the highest proportion of spending on IFs addressing the **demographic challenges**: 75% of total eligible expenditures, which is more than double the EU average of 31%, followed by Belgium and Luxembourg, with 51% and 68%, respectively.

In the current **2021-2027 programming period**, the resources specifically allocated to demographic and socio-economic challenges are **EUR 362.9 billion (72% of total planned allocations)**, EUR 67.8 billion less than those allocated in 2014-2020 programming period (EUR 430.7 billion), due to the increased focus of CP on the green and energy transition challenges (Table 3.1b).

Table 3.1a - Cohesion Policy 2014-2020 - Planned allocations and total eligible expenditures* (excluding IFs on the green and energy transition) by socio-economic challenges (in millions of Euro)

	ERDF+CF		ESF + YEI		Total	
	Planned Allocations	Total Spend	Planned Allocations	Total Spent	Planned Allocations	Total Spent
Social Challenges	172 445.1	164 342.5	150 389.7	134 796.8	322 834.8	299 139.3
Technological Challenges	175 087.9	174 289.5	25 432.3	20 326.3	200 520.3	194 615.7
Economic Challenges	273 806.4	275 970.8	136 252.8	122 623.3	410 059.2	398 594.1
Demographic Challenges	52 953.3	46 172.7	94 903.1	83 585.5	147 856.5	129 758.2
Territorial Challenges	279 131.0	279 520.9	143 209.2	128 908.0	422 340.2	408 428.9
Total**	280 328.7	280 302.8	150 398.2	134 800.9	430 726.9	415 103.7

Table 2.1b - Cohesion Policy 2021-2027 - Planned allocations (excluding IFs for green and energy transition) by challenge (in millions of Euro)

	ERDF+CF	ESF+	Total
Social Challenges	183 501.4	142 056.1	325 557.5
Technological Challenges	193 476.8	22 102.8	215 579.6
Economic Challenges	220 878.6	142 056.1	362 934.7
Demographic Challenges	65 596.5	90 883.9	156 480.4
Territorial Challenges	220 890.2	142 056.1	362 946.3
Total**	220 890.2	142 056.1	362 .946.3

Source: Authors elaboration based on Cohesion Open Data Platform, database 'ESIF categorisation_ERDF-ESF-CF_planned_vs_implemented' (downloaded 18 July 2024) for Table 3.1a and on Cohesion Open Data Platform, database "2021-2027_Finances_details__categorisation__multi_funds" (downloaded on 3 August 2024) for Table 3.1.b

Notes:

* Planned Allocations: Total amount planned calculated using the EU amount (set in the adopted programme) and the co-financing rate. Total eligible expenditures are expenditures eligible for reimbursement, as reported by the beneficiary projects.

** The sum of the resources per challenge is greater than the overall amount because each IF can address more than one socio-economic challenge.

In 2014-2020, **social challenges** (EUR 299.1 billion) were financed equally by the ESF (supporting employment, education, and social services), the ERDF and the CF (mainly through support to social infrastructure). ERDF and CF contributed most for interventions addressing **economic challenges** (69.2%) and the **digital transition** (89.6%), while the ESF contributed most (64.4%) to interventions directly or indirectly addressing **demographic challenges**.

In the 2021-2027 period, there are no significant differences in the allocations of the different Cohesion Policy Funds to specific challenges compared to allocations in the 2014-2020 period, although a greater share of the ESF+ concerns interventions also addressing economic and territorial challenges (39% in 2021-2027 vs 34% 2014-2020) and an increasing weight of the ERDF in addressing demographic challenges (49.9% vs 35.8% in 2014-2020).

Figures 3.1a and 3.1b present the composition of planned allocations (for both programming periods) and eligible expenditures for 2014-2020[31] according to the level (high, medium or low) of their expected effects in tackling each type of challenge in the two considered programming period.

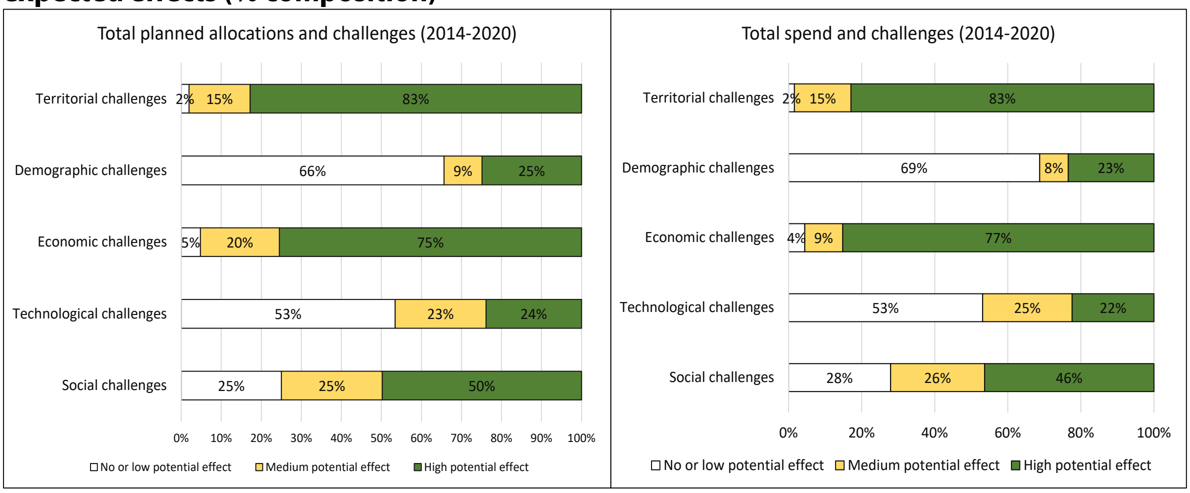
For the **2014-2020 programming period**, **eligible expenditures** on IFs with a high expected effect in tackling **territorial disparities** and the **rural-urban divide**, represented 83% of the overall eligible expenditure on socio-economic challenges (Figure 3.2a). These challenges are mainly tackled by ERDF and CF investments.

Eligible expenditures on IFs with a high expected effect in tackling **economic and competitiveness challenges** also represent a high share of eligible expenditures (77% of total eligible expenditures), especially in the case of interventions funded by the ERDF and CF.

Eligible expenditures on interventions with an expected high effect in tackling social, demographic and technological challenges present instead a lower share of total eligible expenditures, mainly due to the lower overall financial resources of the ESF, the main Fund addressing employment and social challenges, compared to the ERDF overall resources. 95% of ESF/YEI interventions are expected to have potential high effects in tackling **social challenges** and 31% to have potential high effects on **demographic challenges.**

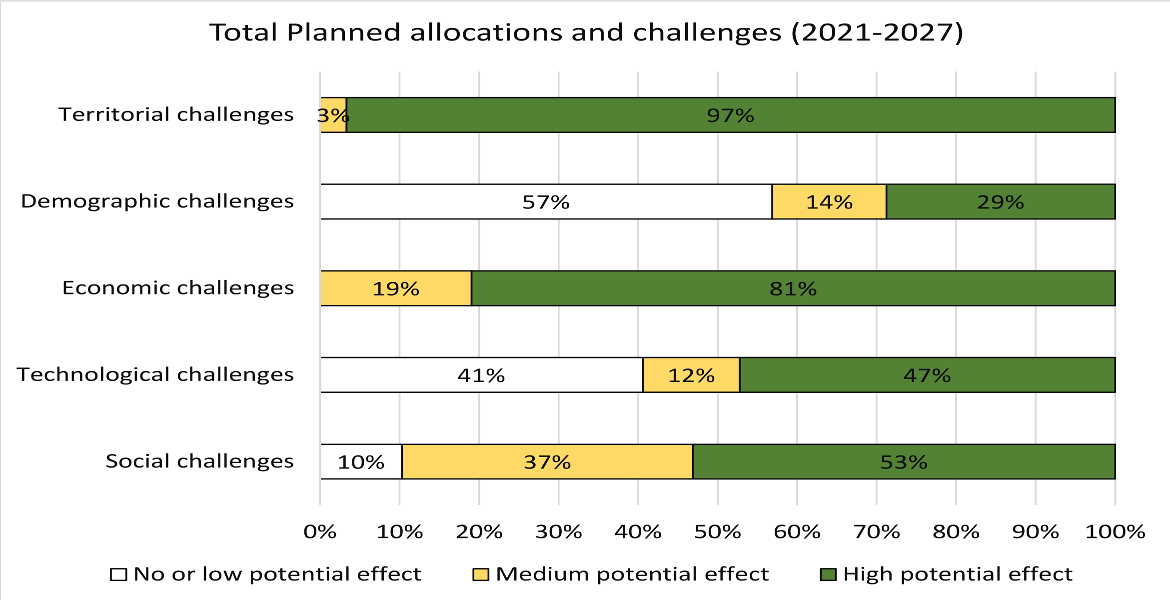
Compared to 2014-2020, planned allocations in the 2021-2027 period show for all the considered challenges an increase of the allocations on interventions expected to have a high effect in tackling all the considered challenges. The highest increase is in the share of allocations for interventions with expected high effects on technological challenges, including measures to support the digital transition.

Figure 3.1a - Cohesion Policy 2014-2020 - Planned Allocations and eligible expenditures on Intervention Fields addressing demographic and socio-economic challenges (excluding IFs on the green and energy transition) by challenge and level of expected effects (% composition)



[31] The considered Intervention Fields do not include those for the green and energy transition, which is not the focus of this study.

Figure 3.2b - Cohesion Policy 2021-2027 - Planned Allocations* on socio-economic interventions (excluding IFs on the green and energy transition) by challenge and level of expected effects (% composition)



Source: Authors elaboration on Cohesion Open Data Platform, database 'ESIF categorisation_ERDF-ESF-CF_planned_vs_implemented" for 3.2a (downloaded 18 July 2024) and on '2021-2027_Finances_details__categorisation__multi_funds'" for 3.2.b (downloaded 3 August 2024).
Notes: * For definition of Planned Allocations and Total Eligible Expenditures, see Table 3.1a-b.

3.2.2. Cohesion Policy's contribution to tackle demographic and socio-economic challenges

Available evidence shows that **EU Cohesion Policy in the 2014-2020 programming period has contributed to foster socio-economic cohesion processes** at territorial level, particularly in less-developed regions and Member States. As underlined in the 9th Cohesion Report, Cohesion Policy investments between 2014 and 2020 represented a relevant component of overall public investments in the EU, accounting for almost 13% of total government investment in the EU as a whole and 51% in less developed Member States. These investments have "strengthened the European growth model, spurring economic growth in line with key policy priorities from the twin transition to innovation, business and skills, from childcare, education and health to protection from natural disasters"(European Commission, 2024a, p. vii).

Concerning the current 2021-2027 programming period, available evidence at EU level provides some indication on the expected outcomes reported in Partnership Agreements and national and regional programmes.

Addressing demographic challenges

In the **2014-2020 programming period**, Cohesion Policy has addressed **demographic ageing** at territorial level through a series of initiatives, including measures to create social, healthcare and housing facilities and services for older people and persons with disabilities. According to the Commission's 2023 Annual summary report on the implementation of

European Structural Investment Funds (ESIFs) (European Commission, 2024e), the ERDF contributed to the improvement of health facilities and services for 63 million people and to the increase of childcare and education facilities for over 24 million children and young people in order to support women's labour participation and contrast the shrinking workforce. The female participation rate[32] indeed increased in the EU27 from 65% in 2013 to 68% in 2021 and 70% in 2023, although this change cannot be attributed only to Cohesion Policy, as many socio-economic and cultural factors affect female labour participation.

Migration challenges have been mainly tackled within the **ESF** through measures supporting the medium- and long-term integration of migrants. In the 2014-2020 period, Thematic Objectives 8 (Access to Employment) and especially 9 (Social Inclusion) are the most explicitly relevant to migrants, people with a foreign background, asylum seekers and refugees. These ESF actions supported the inclusion of migrants and other disadvantaged people into the labour market; the improvement of the quality, accessibility and sustainability of social services; and provided targeted measures addressing needs not sufficiently covered by national policies, including specific training (e.g. language classes), counselling and assistance and anti-discrimination measures. Migrants, people with a foreign background and minorities represented 14% of total ESF participants in the 2014-2020 programming period, although their share varied significantly across the MS (European Commission, 2024e). Data for 2017 show that in 8 out of 27 MS this share was above 20%, while in 9 MS it was below 5%. The breakdown by regions shows a higher proportion of migrants, people with a foreign background and minorities supported in more developed regions (24% of total ESF) than in transition and less developed regions (13% and 7% respectively). The proportion of migrants, people with a foreign background and minorities also varies significantly under the respective TO. The highest shares of migrants (50% and 45% respectively) have been involved in interventions supporting the socio-economic integration of marginalised groups (Investment Priority 9ii) and in those addressing discrimination and promoting equal opportunities (Investment Priority 9iii) (European Commission, 2019b).

Besides the measures included in the ESF thematic objective on social inclusion, a new temporary initiative, *CARE – Cohesion's Action for Refugees in Europe,* supports Member States to provide emergency support covering the basic needs of Ukrainian people fleeing the Russian invasion, including temporary accommodation, food and water supplies or medical care. This initiative, although temporary, is building capacity for future actions addressing the challenges related to the increasing inflows of immigrants and refugees driven by armed conflicts, climate change and poverty.

Concerning the **brain drain** challenge, the CP place-based policy approach provided rural and remote regions at risks of brain drain with an integrated strategic framework for planning long-term investments to diversify the regional economy, improving job opportunities for young workers in partnership with private actors and encouraging the return of qualified young people through comprehensive support mechanisms. Cohesion Policy initiatives were complemented by the Commission initiative 'Brain Drain – Mitigating Challenges Associated with Population Decline' that identified the drivers and long-term implications of talent loss while exploring potential solutions to halt or reverse this trend (European Commission, 2023a). Interesting measures supporting local development to contrast depopulation and brain drain included, for example, the 'ReBrain' initiative in

[32] The female participation rate is measured by the share of the female working age population (16-65 years) in the labour force (i.e. the sum of employed and unemployed women).

Western Greece to foster the digital transformation of the economic system, focusing on the reskilling and upskilling of the region's scientific potential and promoting innovation-led growth. The Interreg V-A Poland-Germany/Saxony cooperation programme was another interesting example to this end. The programme developed a cross-border educational curricula tailored to the needs of the common cross-border labour market by strengthening cooperation between higher education institutions and improving access to vocational training, particularly in the fields that are most in demand among local and regional businesses (European Commission, 2023a). The Romanian ERDF 'RO-NET' project has expanded broadband coverage for people in so-called 'white areas', i.e. those areas without access to electronic communication networks and no development plan of private investors. This project contributed to reduce the digital gap between urban and rural areas and contributed to improving the quality of life of inhabitants and the attractiveness of rural regions (European Commission, 2023a).

In the **2021-2027 programming period**, the CP legal framework[33] added a new legal provision on the support for disadvantaged areas, in particular rural areas and areas suffering from severe and permanent natural or demographic handicaps, through the adoption of an **integrated approach to addressing demographic challenges** or specific territorial needs. Indeed, 26 Member States have identified **demographic change as a major challenge** in their Partnership Agreements. The ESF+ is planned to steer, together with Member States, almost EUR 7 billion to promote a gender equality in the labour market, equal working conditions and a better work-life balance, to support women's labour participation. A targeted budget is also allocated to support workers' active and healthy ageing.

Promoting economic growth and innovation

In the **2014-2020 programming period**, the ERDF supported investments in research and development (R&D), access to finance, transport and ICT infrastructure and SMEs' competitiveness and innovation.

Investments **in broadband infrastructure** by ERDF funding, particularly in underserved regions, aimed to bridge the digital divide and ensure equal access to digital services for all citizens. ERDF funding prioritised SMEs in adopting digital technologies to enhance their competitiveness through the provision of funding for ICT services and tailored applications. ESF funding supported digital training and ensured access to services for marginalised groups, thus **reducing disparities in digital literacy and access to digital services**.

According to the cited 2023 Annual report on the implementation of ESIFs (European Commission, 2024e), ERDF and ESF programmes by the end of 2022 have supported **around 5 million SMEs; created 370 000 new jobs in supported enterprises**; **fostered cooperation between more than 75 000 enterprises and research institutions; supported 73 000 researchers** in improved research infrastructure facilities (equivalent to 3% of all European researchers) and **improved broadband connection for 7.8 million households**. Among the supported large interventions, the Commission's 2023 summary report cites the ERDF had EUR 7.5 million to support the research infrastructure for the Mediterranean Institute for Transplantation on Advanced Specialised Therapies (ISMETT) in Sicily; the ERDF EUR 7.7 million for the construction of laboratory spaces and biological production platforms for the Institute for Experimental and Technological Biology (IBET) in

33 Article 10 of Regulation (EU) 2021/1058. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32021R1058

Portugal. In Czechia, the ERDF supported with EUR 223 million the renovation of the railway network in South Moravia, carrying about 22 million passengers every year.

A 2023 European Commission Staff Working Paper (European Commission, 2023d) reports that national and regional CP programmes for the **2021-2027 period** focus on **fostering R&I and digitalisation**, with National S3 strategies. Through CP planned support, it is expected that 83 000 researchers will have access to improved facilities and that new R&I equipment worth EUR 6 billion will be provided. In addition, 725 000 companies are expected to be supported for smart growth, while investments in high-speed mobile network and fixed digital infrastructure should connect 3.1 million dwellings and 356 000 enterprises. Enhanced synergies between the **Digital Europe and ERDF programmes** are expected to support the digital transformation of businesses and public sector organisations (European Commission, 2023d).

Support to SMEs growth and competitiveness remains crucial in the current context of supply constraints, high energy prices and inflation. The ERDF has, for the first time, a dedicated specific objective of **supporting skills for smart specialisation, industrial transition and entrepreneurship**, which is expected to involve 65 000 SMEs (European Commission, 2023d). **Digital infrastructure** is also going to be strengthened, particularly in rural and remote areas. In addition, CP interventions are planned to support the **modernisation and digitisation of public services**, with 22 500 public administrations expected to be digitalised (European Commission, 2023d).

In the current programming period, the ERDF has also **new specific objective focusing on tourism and culture**. The ERDF is planning more than EUR 3.7 billion in support for these sectors with the aim of enhancing the role of culture and tourism in economic development, social inclusion and social innovation, taking into account these sectors' needs for the digital and green transition and the long-term environmental, social and financial sustainability (European Commission, 2023d).

Tackling Employment and skills challenges

Employment creation is one of the main goals of the ESF and ESF+. Available data on the **2014-2020 programming period** on participants in ESF measures show a good alignment with the intervention needs and target groups presented in the programmes' context analyses. Consistent with the ESF/YEI thematic objectives and Intervention Fields, the data presented in the European Commission Summary Annual Report on the implementations of ESIFs (European Commission, 2024e) show that among the 64.5 million people supported through ESF and YEI actions[34], a **high share were people out of employment**, with inactive people (including NEETs) representing 39% of overall participants (24.9 million) and the unemployed (including the long-term unemployed) 34% (22.2 million). In addition, ESF/YEI operations were able to engage **relatively high shares of participants with other forms of disadvantages**, e.g. those living in rural areas or facing social exclusion like migrants, people with a foreign background, ethnic minorities (14%), persons with disabilities and the

[34] ESF and YEI participants recorded by the end of 2022. https://ec.europa.eu/regional_policy/sources/reports/annual_2023/esif_2023_factsheet.pdf

homeless or people affected by housing exclusion. By the end of year 2022, of all those involved, **7.4 million were employed upon leaving the ESF operations and 6.8 million were employed 6 months later** (European Commission, 2024e).

As described in Chapter 2, Eurostat data report a strong convergence process in national employment rates, although the gap between the best (Netherlands) and the worst performing (Italy) Member States remains high, at 18.1 pp in 2022, compared to 26.7 pp in 2013. At regional level, differences in employment rates, though narrowing, remain even higher with a gap of 43.5 pp in 2022 between Åland Islands in Finland (employment rate at 89.7%) and Sicily in Italy (46.2%). While it is not possible to assess whether and to what extent these developments can be attributed to Cohesion Policy interventions in the absence of an impact counterfactual evaluation, it is possible to say that Cohesion Policy contributed to their achievement.

The ESF also supported the positive trends in **education and training**, with initiatives contributing to skills development and contrasting early school leaving. Many initiatives were targeted at the provision of specialised education and training support to disadvantaged groups, such as the long-term unemployed, the low-skilled and persons with disability or with special education needs, refugees/asylum seekers, enhancing their employment opportunities. Consistent with these objectives, a large number of participants in ESF/YEI actions in the 2014-2020 programming period, 29.8 million (47% of total participants) belonged to the low-skilled (ISCED levels 1 and 2), with an overall coverage rate of 4.9% for the EU-28 average and peaks in some Eastern European countries (i.e. Latvia, Slovakia and Bulgaria). According to Cohesion data, by the year 2022, 10.2 million people had gained a qualification and 3 million people had been involved in education or training measures supported by the ESF/YEI (European Commission, 2024e).

In the **current 2021-2027 programming period**, employment growth remains a priority in CP, with the ESF+ integrating several previous funding instruments (ESF, YEI, FEAD, EaSI) into a single framework focusing on employment, skills and social inclusion. Planned investments in employment creation are expected to contribute to the achievement of the headline Porto target that 'at least 78% of people aged 20 to 64 should be in employment' by 2030. Overall, planned ESF+ measures aim to support at least 6.5 million unemployed people, almost 1.3 million inactive people and almost a million young people by 2029. The planned ERDF investments provide additional infrastructure and equipment support for employment and education and training services (including early childhood education services), including about 23 000 square metres of new or modernised facilities for employment services (European Commission, 2023d).

Supporting social inclusion

The social dimension has been significantly strengthened since the 2014-2020 programming period, targeting groups that were not or little considered in the previous programming period and developing tools and guidelines for their implementation. Cohesion Policy is now an important complement to national welfare states, supporting projects that deliver capacitating services and social investments consistent with the Social Europe framework (European Commission, 2023c). In addition, the inclusion of ex ante conditionalities and enabling conditions[35] have promoted capacity building among Managing Authorities and

[35] Conditionality requires that all EU spending comply with a set of Union policy standards subject to withdrawal of funds in case of failure to do so. Cohesion policy conditionality is a requirement attached to disbursement of EU financial resources. It is an internal governance tool to make sure that EU funds deliver on their promise. Enabling conditions require compliance with a set of general

beneficiaries, fostering integrated community services and structural reforms in some of the Member States/regions.

In the 2014-2020 programming period, the ESF constituted one of the most important sources of financial support available in the EU for the promotion of social inclusion. The requirement to target a minimum 20% of the ESF allocation to the social inclusion thematic objective (TO9) and the explicit indication of target groups helped improve the extent to which ESF operations **reached hard-to-reach groups such as Roma and other ethnic minorities, persons with disabilities, the homeless and marginalised communities in rural areas** with targeted measures. The ERDF supported instead the improvement and creation of **social infrastructures and housing facilities** for disadvantaged groups and persons with disabilities as well as **territorial local development initiatives**, including revitalisation efforts in declining industrial regions and urban contexts, with the aim to improve employment, social inclusion and living conditions in disadvantaged regions and neighbourhoods.

Overall, in the 2014-2020 period, the Cohesion Funds supported the **employment and social inclusion of almost 4.1 million people with disabilities and just over 9.1 million people from marginalised groups** (e.g. migrants, people with a foreign background and minorities) (European Commission, 2024e).

ESF support contributed to the decline in the gap in poverty rates between more developed and less developed regions from 14 pp in 2016 to 9 pp in 2022. Progress occurred particularly in Eastern EU countries converging to the EU average (with poverty rate at an average of 21%), while in Southern countries the at-risk-of-poverty or social exclusion rate remains high, around 25%, and the gap with the EU average increased between 2016 and 2022 (European Commission, 2024a). According to a recent European Economic and Social Committee (EESC) assessment of the ESF (EESC, 2024) in five EU countries[36], the majority of respondents to interviews and an online survey, targeted at civil society organisations and social partners, stated that the ESF-funded measures promoted the employment of young people and women, helped achieve the 20% target of investment in social inclusion and poverty reduction and supported action in favour of Roma and non-EU migrants. An example of an ESF-supported project for social inclusion is the Romanian Integrated Community Services, supporting over 100 marginalised communities in getting access to education and essential medical services. Activities have been scaled up to support 2 000 communities with the 2021-2027 ESF+. An ERDF project example is the creation of two additional departments selling the production of a vocational rehabilitation unit managed by the Polish Association of People with Intellectual Disability. These new production and services departments increased the employment opportunities for 26 people with moderate and severe mental disabilities (European Commission, 2024e).

In the current **2021-2027 programming period**, CP regulation requires Member States to ensure compliance with the EU Charter of Fundamental Rights and this should ensure greater attention to non-discrimination and equal opportunities for all.

The cited European Commission report on **2021-2027 programming and planned outcomes** (European Commission, 2023d) underlines that social inclusion measures account

and thematic EU legal, policy and administrative requirements that represent essential pre-conditions for effective and efficient use of Union funds. In the 2021-2027 programming period enabling conditions replace and build on the ex-ante conditionalities of the 2014-20 programming period (European Parliament, 2018).

[36] The assessment was based on interviews in country visits and an online questionnaire in five EU Member States: Czechia, Italy, the Netherlands, Poland and Spain.

for 33% of the total ESF+ budget indicated in national and regional programmes (above the minimum threshold of 25% required by CP regulation), with more than 80% of this ESF+ funding allocated to measures for **active inclusion and access to services**. The planned ESF+ measures are expected to support the social integration of more than 3 million people at risk of social exclusion, including 600 000 people in marginalised groups such as the Roma. The incorporation of the Fund for European Aid to the Most Deprived (FEAD) in the ESF+ should target support also to **the most deprived people** via food and basic material assistance and social integration measures. Almost 17 million people across the EU are expected to receive basic material support over the coming years, including food support for 10 million people. ESF+ planned interventions are also addressing **child poverty** through the implementation of the Child Guarantee with the aim of supporting 2.7 million children across the EU. Planned allocations in Member States range from 5.3% to 21% of their national ESF+ allocations, beyond the 5% minimum regulatory requirement (European Commission, 2023d).

The ERDF's contribution to social inclusion covers interventions for the **integration of marginalised communities and of third-country nationals** promoting access to mainstream non-segregated services and social housing. ERDF funding for **integrated actions for socio-economic inclusion** is expected to support almost 250 000 people from marginalised communities, low-income households and disadvantaged groups, while ERDF funding for **social housing** is expected to benefit almost 49 000 people (European Commission, 2023d). Overall, ESF+ and ERDF investments for social inclusion are expected to contribute to the achievement of the headline Porto target of reducing the number of people at risks of poverty and social exclusion by at least 15 million (including at least 5 million children) by 2030.

Planned interventions also continue to support **health and long-term care family and community services** with the ESF+ and **infrastructures and equipment** with the ERDF. These measures are expected to contribute to improve access to mainstream healthcare services, especially for vulnerable and marginalised groups, with 60 million patients expected to receive medical advice or treatment in new or modernised healthcare facilities (European Commission, 2023d).

Regarding **gender equality**, the CP regulation 2021-2027 reinforces the requirements for gender equality across all Cohesion Policy programmes. According to a 2023 DG Regio factsheet[37], over 30% (EUR 110 billion) of all CP investments, including those from the JTF, will be allocated to support gender equality through direct measures for gender equality or integrating a gender perspective into various initiatives (i.e. the so-called gender mainstreaming). Examples of supported projects include the *Women Business Hub project,* which fosters economic empowerment for women entrepreneurs in border regions between Croatia and Serbia and the *'100 Percent' project* in Austria, which offers free consultancy to companies to help close the gender pay gap and promote workplace diversity and innovation.

Reducing territorial inequalities and supporting territorial cooperation

As underlined by the EP Report on Cohesion Policy 2014-2020 (European Parliament, 2024), in the **2014-2020 programming period**, CP investments throughout the European Union have generated **positive effects on regions, cities, rural areas, border zones and remote**

[37] #EU Regio Data Stories. Exploring Investments 2021-2027. Cohesion policy: Supporting Gender Equality (March 8, 2023) https://cohesiondata.ec.europa.eu/stories/s/Cohesion-policy-supporting-gender-equality/gkxm-7hxd/#:~:text=Over%2030%25%20(EUR%20110%20billion,equality%20measures%20or%20gender%20mainstreaming

locations. Interventions, inter alia, **enhanced access to broadband, facilitated the digitalisation of SMEs and improved e-government and e-health services**.

Smart specialisation strategies (S3)[38], have promoted bottom-up policymaking, driven by local knowledge to mitigate regional disparities within Europe (Moodie et al., 2021; and Madeiros, 2024). S3 strategies prioritise investment based on local assets to encourage the transition to a knowledge and innovation-based economy and strengthen cooperation between the different innovation stakeholders (administrations, universities, enterprises, Vocational Education Training (VET) institutions) at all levels of governance.

CP also promoted specific initiatives for **Integrated Territorial Development and** for **Sustainable Urban development** addressing urban-rural linkages and supporting **Community-led local development (CLLD)** approaches. The Commission's 2023 Summary Annual report on the implementation of ESIFs (European Commission, 2024e) indicates that the ERDF contributed to the development of: 49 m^2 renovated or newly developed urban spaces accessible to the public; around 4 million m^2 renovated or newly built public buildings (providing e.g. cultural, sport, community services); and over 28 000 renovated housing units. An example reported is the ERDF 28 million funding for the building of the Pelgulinna state gymnasium in Tallinn (Estonia), with a modern learning environment and capacity for 330 pupils (European Commission, 2024e). Another reported example is the ERDF contribution for the renovation of a large abandoned circus facility in Ghent (Belgium) transformed into a hub for culture and entrepreneurship with a concert hall, co-working and office facilities for creative and technological start-ups and scale-ups and services and shops.

In addition, the ERDF supported **territorial cooperation programmes (Interreg)** for cross-border, transnational and interregional projects. The cited annual implementation report (European Commission, 2024e) records that: more than 40 000 enterprises participated in territorial cooperation research projects; more than 178 000 people have participated in labour mobility projects; and more than 190 000 young people have participated in joint education and training schemes across borders. Among project examples, the report indicates that the ERDF-funded Interreg EMR Connect project improved cross-border cooperation between public transport operators in the Euroregio Meuse-Rhine on the borders of Belgium, Germany and The Netherlands. Sustainable urban mobility was supported with the transnational Sustainable Urban Mobility and Commuting in Baltic Cities (SUMBA) project in the Baltic Sea region. This project integrated intermodal mobility solutions in the urban transport policies of involved cities and municipalities.

In the **2021-2027 programming period**, programmed CP interventions are meant to strengthen the **bottom-up and place-based approach**, empowering sub-regional territories and local communities to identify their own priorities and projects in an integrated and participatory way. All Member States have planned around EUR 40 billion for territorial tools i.e. integrated territorial investment, community-led local development or other tools targeted for specific territories (islands, mountain and rural areas)[39]. Funding targeted to

[38] Smart Specialisation Strategies (S3) are place-based, innovation-driven strategies developed by EU regions and countries to identify and invest in regions' and country-specific competitive strengths. S3 Strategies became a mandatory requirement for accessing ERDF support for research and innovation during the 2014–2020 EU programming period**.** This requirement has been continued and further refined in the current 2021–2027 programming period**.**

[39] Almost EUR 56 billion of the ERDF investments are assigned to specific territories: 61% have been allocated to urban areas and a
further 25% to rural, islands and mountainous territories. The remaining 14% has been allocated to other territorial targets, including all types of territories (European Commission, 2023d).

outermost regions has been increased[40] and a dedicated Commission Communication in 2022 sets the actions to support the outermost regions' socio-economic development[41].

Integrated territorial investments are planned in 20 Member States for more than EUR 23 billion, mostly in functional urban areas (65%), but also in rural areas, mountain and island regions, territories affected by demographic decline. More than 2 150 integrated territorial development strategies are planned, enhancing the participation and ownership of local stakeholders and communities. 12 Member States plan investments of EUR 1.6 billion under **community-led local development strategies,** mainly in rural areas, while 19 Member States are using other territorial tools to support urban, rural and other areas with more than EUR 16 billion. Expected outputs include: 2 million m^2 of public buildings energy renovated, 33 km^2 of open space created or renovated in urban areas and around 3 800 cultural or tourism sites supported.

Important investments are also planned to improve **transportation facilities** to support sustainable territorial connections, economic growth and the quality of life of EU citizens. The European Rail Traffic Management System within the Trans-European Transport Network (TEN-T) is expected to lead to faster and safer **rail connections** within the EU, with 3 900 km of TEN-T railway lines newly built, upgraded, reconstructed or modernised with EUR 10.7 billion in EU support. **Road** transport investments are also planned to continue to improve the TEN-T connectivity and completing it by 2030. Priority is given to investments facilitating **public transport** (e.g. by providing multimodal transfer points and alternative fuels infrastructure). A more limited support is instead planned for **port and airport infrastructure,** mainly tackling decarbonisation and integration into multimodal networks (European Commission, 2023d).

Strengthening institutional and administrative capacity

CP has **contributed to improving institutional and administrative capacity** at both national and regional/local level. In the **2014-2020 programming period**, the inclusion of a specific Thematic Objective (TO11) for 'Enhancing institutional capacity of public authorities and stakeholders', together with the introduction of *ex ante* (general and thematic) 'conditionalities' as pre-requisites, promoted institutional capacity and the national reforms necessary to support key EU priorities and the quality and sustainability of CP investments. In addition, CP principles on transparency in programming, implementation, monitoring and evaluation had positive spillover effects on national and regional practices. According to the 2023 Summary Annual Implementation Report (European Commission, 2024e), under TO11, 3 000 projects targeting national, regional or local public administrations or services were implemented and 840 000 participants attended training courses.

Another important contribution of CP on institutional capacity has been the attention paid to the **involvement of local actors** to ensure the implementation of effective place-based strategies addressing local needs and specificities thanks to their experience and knowledge. For example, in the ESF case, there has been a growing involvement of **civil society**

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40 Outermost regions benefit from the highest EU co-financing rate of 85%, irrespectively of their GDP per capita. Moreover, they
benefit from more flexible Cohesion Policy modalities, for instance, to support airport infrastructure or productive investment projects in enterprises. In addition, the specific additional allocation from ERDF and ESF+ has been increased from approximately EUR 1 billion in 2014-2020 to EUR 1.5 billion in 2021-2027. Five Interreg programmes also support these regions, with focus on their regional integration with non-EU neighbours in key areas such as climate change mitigation and preservation of the oceans (European Commission, 2023d).

41 Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions of 3 May 2022, 'Putting people first, securing sustainable and inclusive growth, unlocking the potential of the EU's outermost regions', COM(2022) 198 final.

organisations with extensive and/or direct experience working with ESF target groups, particularly disadvantaged ones. This has been highlighted in the EESC 2023 evaluation[42], where civil society involvement was perceived as quite relevant both in consultations (80% of respondents reporting that they had been consulted) and in the design of interventions (57% reported that ESF programmes included the social partners and civil society organisations when designing ESF/YEI measures).

CP **capacity to quickly respond to external shocks also improved, as shown in the COVID-19 pandemic and the Ukraine refugee crisis** with the easing of constraints on the use of ad hoc measures to cushion their negative socio-economic and territorial effects through targeted employment and income support policies. The introduction of specific ‘reaction’ tools has also set the bar for future policies in the framework of the Multiannual Financial Framework. Key actions included the infusion of new liquidity to bolster investment, flexible measures to ensure the continuation of projects, job retention schemes and targeted adjustments in programming and implementation, notably through the Coronavirus Response Investment Initiatives (CRII and CRII+) and REACT packages. These measures allowed Member States to support the functioning of healthcare systems in emergency conditions, the preservation of jobs and business activity and the access to social services, food and basic material assistance for vulnerable citizens. Together with the Initiative “Support to Mitigate Unemployment Risks in an Emergency” (SURE), the mentioned CARE Initiative and the resources allocated through the Next Generation EU programme, Cohesion Policy interventions have significantly contributed to a rapid economic recovery in 2021 and 2022, particularly in less-developed regions, supporting the resilience of the EU economy and labour markets.

In the **2021-2027 programming period**, **enabling conditions, performance orientation and partnership principles have been strengthened** to improve institutional and administrative capacity and ensure the quality and effectiveness of CP investments. Member States must meet the enabling conditions throughout the entire programming period and payments from the Commission can only be made when the relevant enabling conditions have been fulfilled. The strengthening of performance orientation is expected to improve both the transparency and accountability of programmes’ implementation, and impact evaluations, given the focus on programmes’ objectives and their monitoring[43]. Concerning partnership, the current CP continues to provide for supporting social partners and civil society organisations’ capacity building with ESF+ (European Commission, 2023d).

The legal framework for **Interreg** has also been strengthened in the current programming period to include new provisions meant to improve and facilitate cooperation. One of these provisions is the possibility of supporting the governance of cooperation in joint/shared territories across borders. This possibility is used by 80% of 2021-2027 programmes to enable better management of border services, such as transport and health for people living in border areas. A dedicated strand for cooperation is also envisaged between the outermost regions and their neighbouring countries. Another new provision related to the Member States’ voluntary commitment to engage young people in Interreg programming and implementation through options like the participation by youth organisations in the decision-making process, the earmarking of funding to youth projects and specific

[42] European Economic and Social Committee (2024). Evaluation of European Social Fund 2014-2020.

[43] The 2021-2027 performance framework includes a more complete list of common output and outcome indicators. Progress towards milestones (i.e. an intermediate value to be achieved in relation to an output indicator under a specific objective) is one of several factors considered in the mid-term review in early 2025 to decide on the allocation of the flexibility (i.e. unallocated) reserve (European Commission, 2023d).

communication activities dedicated to young people. More than 20 programmes are indeed planned to involve young people.

Aggregate effects of Cohesion Policy on economic growth and employment

The available evidence provided so far shows that **in the 2014-2020 programming period, Cohesion Policy has contributed to the reduction of regional disparities** and to **tackling the economic and social challenges** analysed in Chapter 2, thanks to its regional focus and place-based approach. Cohesion Policy investments have contributed to stimulating long-term growth and competitiveness, they have improved access to goods and services through physical and digital infrastructure and increased connectivity. Furthermore, they have supported local economies and attractiveness by contributing to innovation and entrepreneurship through support for SMEs and the strengthening of human capital with training and education support as well as social inclusion and poverty reduction. CP has also supported institutional capacity building for better governance, cooperation and administrative efficiency.

A large number of studies have recently focused on **estimating the aggregate impact of Cohesion Policy** on EU socio-economic conditions and convergence and on the role of **contextual conditions** in affecting this impact (for a review, see Crescenzi & Giua, 2017). These estimations, based on advanced policy evaluation methods, confirm that CP has contributed to mitigate regional inequalities, both at the EU level and within most Member States and that it can significantly contribute to the EU's goal of fostering territorial cohesion, particularly concerning its socio-economic aspects.

Estimates of the aggregate effects of CP on employment and GDP growth, compared to a hypothetical scenario without it, show that the **overall average impact over time on regional growth and employment has generally been positive and statistically significant, even if rather modest**, especially in view of the amount of resources employed (Dall'Erba and Fang, 2017). The impact of Cohesion Policies are very different across EU regions, depending on the intensity of Cohesion funding, the characteristics of the intervention and territorial specificities, including socio-economic and territorial conditions. The quality of national and local institutional capacity and social culture also have an impact (Crescenzi and Giua, 2018).

A study estimating the macroeconomic impact of the **2014-2020 European Structural Funds** on territorial cohesion (Crucitti et al., 2024)[44] shows that by the end of implementation, the EU's **GDP is projected to be as much as 0.4% higher compared to a hypothetical scenario without these interventions**, in present value terms. The positive impact of the policy is particularly pronounced in the less-developed areas of the EU, which are its primary beneficiaries. Although the impact is lower in more developed Member States and regions, it remains generally positive in the long term, even for net contributing regions. This is, in part, attributable to interregional spillover effects, where interventions in specific areas also provide advantages to other regions within the EU, especially those with strong trade connections to the main beneficiaries.

According to European Commission estimations (European Commission, 2023d), Cohesion Policy funding, during the **2021-2027 period**, is expected to **contribute to a 0.5% average increase in the EU's GDP** by 2030, with some Member States potentially experiencing

[44] The study used the RHOMOLO dynamic general equilibrium model calibrated with data for all the NUTS-2 regions of the EU in order to estimate the potential impact of the 2014–20 investments of the three main funds of Cohesion Policy.

growth of up to 4%. Additionally, these investments are expected to **create 1.3 million jobs**, while more than 6.5 million unemployed will be involved in re-skilling and upskilling measures and more than 3.5 million households and enterprises will benefit from high-capacity broadband.

Recent macroeconomic modelling considering the **combined effects of the 2014–2020 and 2021–2027 programmes**, presented in the 9th Cohesion Report (European Commission, 2024a), indicates that these combined effects could increase **EU GDP by 0.9% by the end of 2030 and by 0.6% by 2043**. Again, benefits are expected to be particularly pronounced in the less developed regions and countries, where support is concentrated: for example, Croatia's GDP could be up to 8% higher by 2030, while Poland and Slovakia may see increases of 6% and Lithuania's GDP could rise by 5% compared to a scenario without Cohesion support. More developed regions, despite receiving lower per capita support from CP, are also expected to experience significant positive spillover effects from programmes implemented in other areas, benefiting from strengthened partnerships in their supply chains and expanded markets for their exports and investments.

CP 2021-2027 is also expected to help **reduce regional disparities across and within Member States**. Regional disparities across Member States are estimated to be much lower than without Cohesion Policy for many years to come, even if CP were to come to an end[45]. The reduction of regional disparities within countries is expected to be particularly relevant in Hungary (with a reduction of 2.5 pp compared with a situation without Cohesion Policy), in Portugal and Poland (with a reduction of around 2 pp). Disparities between and within Member States are also expected to decline by 7.9% and 5.4% respectively[46].

3.3. Evidence from the case studies

3.3.1. Main features and interventions of CP programmes

All the considered cases have an integrated programming approach based on multi-funding (ERDF and ESF/ESF+), except for the Irish Northern and Western Region, which has only ERDF funding.

Apulia Region (Italy)

Apulia has designed a **Multi-Fund Regional Operational Programme (ROP)** managed at the regional level for each programming period with the aim to achieve a strong integration between the ERDF and the ESF.

The **ROP 2014-2024 ERDF-ESF** includes 12 priority axes. Among these, some priority axes aim to contribute to addressing the **economic, technological and territorial challenges**, either directly or indirectly. These include: *Research, Technological Development and Innovation*, *improving use and quality of ICTs*, SMEs *competitiveness, Transport systems and Sustainable Urban Development*. The strengthening of digital infrastructures and support to disadvantaged urban areas are expected to improving people's living conditions and their **social inclusion**, although the axes that contribute more to addressing the social and

45 In detail, the coefficient of variation, measuring the extent of regional disparities in GDP per head, is estimated to decline by around 3% after ten years from the beginning of the 2021-2027 programming period and then increase again when the supply-side effects of the interventions diminish. The same pattern is observed in other measures of dispersion, such as the ratio of the 80th to the 20th percentile of the distribution of regional GDP per head (the top 20% and bottom 20% of regions in these terms).

46 The Theil index, a measure of dispersion enabling to distinguish between-country and within-country differences, is **estimated to decline by over 7% by 2030**, thanks to a decline of disparities within Member States (by 5.4%) and of disparities between Member States (by 7.9%).

demographic challenges are especially those focused on 'promoting the sustainability and quality of employment, social inclusion, the fight against poverty and all forms of discrimination as well as those on investing in education, training and lifelong learning'.

The **2021-2027 ERDF and ESF+ Regional Programme** is structured into 10 priority areas that ensure continuity of the goals from previous periods but with increased investment in the green and digital transition. The ROP aims to address important socio-economic challenges, such as: increasing employment levels, updating and upgrading the research-innovation-business chain, increasing entrepreneurship and innovative businesses and supporting the digital transition. The programme also supports social inclusion and quality of life, addressing new forms of poverty, discrimination and health and wellbeing through actions aimed at improving public services (education, social and healthcare services). The attention to inland and rural areas at risk of depopulation and the reduction of the digital divide are also promoted, as are the improvement of transportation infrastructure to improve internal and external accessibility to the region. Additionally, in both programming periods, national programmes co-financed by Cohesion Funds contributed to the implementation of Cohesion Policies in the region.

Guyane (France)

In this outermost region, European funds and strategies play a notable role, given its low development level, which entails high aid intensity (i.e. high co-financing rates and investment volumes). Hence, Cohesion Funds allocations (especially ERDF and ESF) are very high, compared to other areas in mainland France. On average, Cohesion Policy invests about EUR 125 million per year, roughly half the value channelled through the major national/regional schemes in the territory. The **Regional ERDF/ESF OPs** (one for 2014-2020, another for 2021-2027) are the main CP Operational Programmes in this region. The OPs scope for interventions include R&D, professional integration, support to infrastructures (e.g. education, etc.) and digitalisation. Additionally, in both programming periods, national programmes (co-financed by Cohesion Funds) and the INTERREG OP contributed to the implementation of Cohesion Policies.

Eastern and Northern Region (Finland)

In Finland, there are no regional programmes. The **National Sustainable Growth and Jobs 2014-2020 Programme**, including ERDF and ESF, reserved the largest allocations (over EUR 170 million each region) to the **Eastern and Northern regions** (Ministry of Economic Affairs and Employment, Annual Report, 2022). The programme aimed to alleviate the disparities in regional development, improving the accessibility of essential services (education, wellbeing, inclusion and living conditions), utilising for example digitalisation. **The new 'Innovation and Skills in Finland 2021-2027' programme** has similar priority areas. It focuses on the green transition, economic competitiveness, on reducing structural unemployment, increasing social cohesion and decreasing the disparities among regions, with a special focus on the Northern Sparsely Populated Areas (Northern and Eastern regions of Finland).

Northern and Western region – NWR (Ireland)

During the **2014-2020 programming period**, this Irish region was included in the ERDF ROP **'Border, Midland and Western (BMW)'**, organised into five priority areas. These priorities primarily focused on strengthening Research, Technological Development and Innovation (RTDI); improving access to and the quality of ICT to bridge the digital regional divide; addressing inadequate broadband connectivity in rural areas; and enhancing the competitiveness of SMEs to boost employment opportunities and mitigate brain drain in the region. While priorities supporting the transition to a low-carbon economy and sustainable urban development were recognised, they received comparatively less funding than other areas. The region is also engaged in the INTERREG programme (ETC), where ERDF allocations vary significantly among Irish regions. In both ERDF programming periods (2014-2020 and 2021-2027), the challenges facing the NWR region have been pivotal in shaping intervention strategies. The Operational Programmes highlight the significant urban-rural divide, territorial inequalities, the digital divide and the associated socio-economic challenges. Similarly, the Interreg Northern Periphery Programme prioritises a range of projects aimed at fostering networks to address issues of peripheral areas (Southern Regional Assembly et al., 2022).

In the **2021-2027 programming period,** a specific ERDF **'Northern and Western Regional Programme'** was launched, focusing on three main priorities: enhancing competitiveness by fostering essential skills – particularly digital skills – to drive regional innovation; creating a Low-Carbon Energy Efficient Region to reduce socio-economic disparities; and promoting sustainable, integrated urban development to encourage balanced regional growth and strengthen urban-rural linkages. This ERDF ROP acknowledges the significant progress made since 2014 while also recognising the persistent challenges faced by the NWR compared to other Irish regions. Consequently, the objectives established for the 2014-2020 period are reaffirmed, albeit with some adjustments in scope. For example, certain challenges that were emphasised in the previous period, such as the limited capacity of higher education institutions and broadband connectivity issues, are less prominently addressed in the current programme, reflecting improvements made in those areas. The ROP also introduces more targeted initiatives and highlights emerging challenges related to energy poverty, particularly in light of rising energy costs exacerbated by external factors as the war in Ukraine.

Warsaw Capital Region – WCR (Poland)

This capital region does not have a dedicated regional programme in both programming periods. The region has been supported under the broader **2014-2020 Mazowieckie Voivodeship ROP**, which targets both the WCR and the surrounding Mazowiecki Regionalny area. This programme merges ERDF and ESF funds without any division of allocations or targets between WCR and the Mazovian regional area.

The **2021-2027 Mazovia Programme (FEM)** is again directed to the entire Mazowieckie Voivodeship region, although different allocations are envisaged for the more developed Warsaw Capital Region (EUR 0.5 billion) and for the less developed Mazovian regional area (EUR 1.6 billion) in order to take into account their different socio-economic and demographic conditions and intervention needs. Economic challenges are primarily tackled through priority axes aimed at enhancing R&D, fostering innovative entrepreneurship and improving the competitiveness of small and medium-sized enterprises (SMEs). Social challenges, on the other hand, are mainly addressed through priority axes focused on improving quality of life, strengthening healthcare infrastructure to mitigate demographic and health crises (e.g. COVID-19), supporting the employability of disadvantaged groups, promoting gender equality and social inclusion and offering assistance to older people and individuals in difficulty, including Ukrainian refugees. Efforts are also focused on improving vocational education and facilities to boost employability and to improve accessible education, with a focus on both early childhood and adult education. As in Apulia and Guyane, CP in Poland also includes several thematic National Operational Programmes

(Infrastructure and Environment; Smart Growth; and Digital Poland, without disaggregated allocations between WCR and the Mazovian regional area) managed at the central level, plus one additional programme designed uniquely for five Eastern Poland regions.

3.3.2. Planned allocations and expenditures on interventions addressing the regional socio-economic challenges

Table 3.2 presents for each regional case the overall amount of planned allocations (and eligible expenditures for 2014-2020), focusing only on the IFs addressing the identified demographic, socio-economic and technological challenges, while excluding those concerning the green and energy transition.

In the **2014-2020** programming period, a high share of CP resources addressed the considered demographic and socio-economic challenges, although with differences across the regional case studies. Guyane spent all the programme resources on IFs with expected effects on the considered challenges. Conversely, the Apulia region allocated and spent 82% of total ERDF and ESF expenditures on these IFs. The Polish Mazowieckie Voivodeship macro-region (including the WCR region) recorded 90% of total expenditures on the considered IFs, while in the Irish 2014-2020 ERDF ROP for the macro-region 'Border, Midland and Western (BMW)', (including the Northern and Western region), the share of eligible expenditures addressing the identified challenges was 83%. Finally, in the Finnish National Programme 89% of resources were spent on IFs addressing the identified challenges.

In the **2021-2027** programming period, the share of CP resources planned for the IFs addressing the demographic and socio-economic challenges in most of the considered cases is lower than in the previous programming period, due to the greater attention paid to the green and energy transitions in the current programming period.

Among the considered cases, the Finnish National Programme allocates the highest proportion of planned resources (89%) on IFs addressing demographic and socio-economic challenges, followed by Guyane (79%), which, however, registers a decline in this proportion (-9 pp) compared to the 2014-2020 programming period. Apulia, with 74% of overall planned allocations also shows a decline (-4 pp), compared to the previous programming period. The Irish Northern and Western Region allocated 70% of planned resources to the identified challenges. The lowest share of planned resources addressing the identified challenges (68%) was recorded by the ROP for the macro-region Mazovia, including the WCR, with a significant decrease compared to the share of planned allocations in the previous period (-22 pp).

Table 3.3 - Total planned allocations and eligible expenditures* 2014-2020 and planned allocations 2021-2027 on the identified challenges in the regional cases – Absolute values and % on Total Funds

	Total planned and spent allocations on the identified challenges **(2014-2020)**		**Total planned allocations** on the identified challenges **(2021-2027)**
Region	**Planned**	**Spent**	**Planned**
Apulia Region (IT) - absolute values	3.4 billion	4 billion	4.1 billion
% on total funds	**78%**	**82%**	**74%**
Guyane Region (FR)- absolute values	612 million	544 million	512 million
% on total funds	**88%**	**100%***	**79%**
Irish Northern and Western Region- absolute values (only ERDF)***	271 million	170 million	152 million
% on total funding (only ERDF)	**85%**	**83%**	**70%**

Eastern and Northern Region Finland (Pohjois-jaltä-Suomi)- absolute values**	2.5 billion (170 million for the Pohjois-jaltä-Suomi region)	2.5 billion	2.2 billion (regional data not available)
% on total funds	**85%**	**89%**	**89%**
% on total funds (only ERDF)	**85%**	**83%**	**70%**
Warsaw Capital Region (Warszawski stołeczny-PL)- absolute values****	2.4 billion	2.4 billion	2 billion (0.5 billion for the Warsaw Capital Region - WCR)
% on the total funds	**90%**	**90%**	**68%**

Source: Authors calculations based on Cohesion Open Data Platform, database 2014-2020 'ESIF categorisation_ERDF-ESF-CF_planned_vs_implemented' (downloaded 18 July 2024); and database '2021-2027_Finances_details__categorisation__multi_funds' (downloaded 3 August 2024)
Notes: *The ROP 2014-2020 in Guyane planned 12% of total allocations for IFs addressing the energy and green challenges, these resources were not spent and all eligible expenditures concerned socio-economic and demographic challenges.
**The % are calculated on the National Programme, it is not possible to distinguish regional allocations and expenditures for Finland.
***The planned and spent allocations in the 2014-2020 programming period refer to the ERDF ROP 'Border, Midland and Western' (BMW), covering the entire macro-region. The planned allocations in the 2021-2027 programming period instead refer only to the regional ERDF ROP 'Northern and Western Regional Programme'.
****Allocations refer to the ROPs for the entire Mazowieckie Voivodeship macro-region, including the WCR region.

Apulia region (Italy)

In **Apulia**, **planned allocations in the 2021-2027 programming period** show a continuity in their composition with the previous programming period 2014-2020. However, compared to that period, planned allocations for IFs with expected high potential effects on **territorial, economic and social challenges** declined, respectively by 10%, 6% and 1%. On the other hand, in the current period, planned allocations on IFs expected to have high potential effects on **demographic challenges** increased by 8% (reaching 26% of total allocations) and even tripled for **technological challenges** (53% of total allocations), which are considered of growing relevance in the region. Allocations continue to be mainly focused on interventions that are expected to have a high potential effect on addressing **territorial challenges**, followed by **economic challenges**. A lower share is allocated to tackle social challenges.

Guyane (France)

In **Guyane**, the Operational Programmes for 2014-2020 and 2021-2027 are consistent with the key challenges to be addressed in the territory, especially territorial and social challenges. The ROPs allocations confirm the prominence of **territorial challenges**, with almost all allocations on investment priorities expected to have high effects on these challenges (93% in the 2014-2020 period and 95% in the 2021-2027 period)[47]. The share of allocations with an expected effect on **social challenges** increased significantly from 71% to 94%. The percentage of planned allocations for interventions with expected effects on **economic challenges** instead declined from 78% in the 2014-2020 to 68% in 2021-2027. This decline is primarily due to the sharp decline in the share of allocations supporting priority sectors using local assets, as outlined in the regional Smart Specialisation Strategy. The **2021-2027 ROP** pays greater attention to **demographic challenges** compared to the previous programming period, which increased from 29% in 2014-2020 to 45% in 2021-2027. Moreover, several investments of the ERDF in the region are expected to tackle demographic growth. In particular, the region developed a gradual approach to addressing the expected strong

[47] Although the share of allocations expected to have high direct effects on territorial challenges declines from 76% of the ROP's allocations in 2014-2020 to 62% in 2021-2027, while the share of those expected to have high indirect effects increases from 17% in 2014-2020 to 33%.

increase in the youth population. For instance, in the field of education, the 2007-2013 programme focused on increasing high school facilities, while in 2014-2020 it moved towards a greater focus on increasing higher education facilities. In 2021-2027, the aim is to develop RDI hubs linked to the university, so as to jointly address **technological challenges**, which have been less emphasised in the region (only 23% of allocations relate to IFs with expected high direct potential effects in 2014-2020, increased to 34% in 2021-2027).

Eastern and Northern Region (Finland)

In this region, CP in the 2014-2020 period presented high shares of allocations and expenditures on **economic and territorial challenges**, while relatively low shares on social, demographic and technological challenges, consistently with the regional socio-economic conditions.

The current **2021-2027 programming period** continues to focus its planned allocations on investments aimed at addressing, above all, economic and territorial challenges. In contrast to the previous programming period, significant attention is also given to technological challenges, while social challenges continue to be less considered. According to the evidence collected in the in-depth case study, the overall share of allocations addressing the considered challenges in this region has been slightly lower than the share allocated in the whole of Finland. In addition, in Eastern and Northern Finland, funding has been less targeted at social challenges than in the whole of Finland, while a higher share has been targeted to address economic challenges, which may suggest that addressing economic challenges is more straightforward in less-developed regions.

Northern and Western Region (Ireland)

In the Irish NWR, expenditure data for ERDF programmes in both programming periods focus on interventions addressing **territorial, economic and technological** regional challenges. In the **2014-2020 period**, around 88% of the regional OP's expenditure concerned Intervention Fields addressing territorial issues. Allocations on IFs with expected high effects on economic challenges represented 94% of total allocations. In contrast, expenditures directly tackling technological challenges appear limited (12%). **Social and demographic** challenges also represented a significant concern, with 61% of the ROP's expenditure on interventions directly addressing these challenges. In **2021-2027,** territorial challenges are addressed by all the considered Intervention Fields, with 73% potentially having high effects. The allocations with expected direct effects on **technological and economic challenges increase** to 73%. On the other hand, only 27% of the allocated resources are expected to have some effects on social challenges.

Warsaw Capital Region – WCR (Poland)

In the **Polish WCR there is consistency between CP support and the regional challenges**. Interestingly, according to the Polish Central Statistical Office, national and EU funded regional development strategies show a complementarity in investment priorities in WCR[48]. While the share of development expenditures addressing WCR challenges is relatively similar for both national and CP funds (at 24.8% and 27.3%, respectively), national funds emphasise investments on social challenges (education and health), whereas **CP funds focus more on economic challenges (science and economic support)**. The allocations and expenditures according to the classification used in this study are consistent with this finding. In the **2014-**

[48] The comparison is based on the methodology adopted by the Polish Central Statistical Office for measuring development expenditures.

2020 programming period, 86% allocations on WCR are likely to have high effects on **territorial challenges** and 55% on **economic challenges**. Lower shares of allocations and spending regard interventions with expected effects on **social, demographic** and **technological challenges**. In **2021-2027**, there is a noticeable **shift in CP support from interventions addressing economic challenges to those addressing social and demographic challenges.** Only 35% of CP allocations regard interventions with an expected direct effect on **economic challenges**, while a significantly higher proportion (64%) are likely to tackle **social challenges**; allocations on interventions addressing **demographic challenges** have also increased from 34% to 64%.

3.3.3. Cohesion Policy outcomes in the 2014-2020 programming period

Cohesion Policy has contributed to tackle specific regional challenges in all the five regional cases. Important achievements have been recorded in the 2014-2020 period concerning **economic and technological challenges**, with results mainly observed in addressing SMEs competitiveness and innovation (Finland, Poland, Italy, Ireland) as well as **social and employment challenges**, for instance, in tackling youth employment (Guyane, Finland), upskilling (Guyane, Italy), job creation and reskilling (Finland, Ireland) and fighting social exclusion (Finland, Ireland, Italy).

Some examples of good practices in the implementation of CP emerging from the desk research and interviews conducted in the regional cases are presented in Box 3.1 below.

Box 3.1 Examples of good practices in the regional case studies

Eastern and Northern regions – Finland

- **Alignment between Cohesion programmes and regional development strategies**, thanks to the active collaboration between regional authorities and national bodies in order to tailor funding allocations according to the specific needs and objectives outlined in regional programmes. Regional strategies, developed through comprehensive stakeholders' engagement and analysis of local conditions, serve as the foundational framework that guides the allocation of resources throughout the funding cycle (Finlex Data Bank, 2021).

Guyane – France

- ESF-funded **training scheme managed by the military** of the **RSMA** (*Régiment du service militaire adapté de La Guyane – Adapted Military Service Unit of Guyane*) **targeted to youth in complex situations**. It includes training in several fields (e.g. web developer, childcare, construction). High success rates in terms of returns to employment: around 80% according to interviewees.
- **ERDF-financed large public infrastructures** to provide services to the population in inland and rural areas, tackling the unequal distribution of opportunities across the territory. An example is the **Saint-Georges de l'Oyapock secondary school system** (EUR 10 million of ERDF) (CTG, 2024), located at the border with Brazil, with a capacity of 750 pupils, complemented by a 680-pupil middle school and 140 beds in a boarding school.
- **Social Nomad Driving School (Auto-Ecole Sociale Nomade)**, providing driving licences to improve youth employability and mobility in remote rural areas. Driving lessons (practical and theoretical) were provided to young people in remote areas thanks to a moveable bus (which included a digital driving simulator). 25 youth beneficiaries were followed by social workers. Local partners were activated to individuate beneficiaries.

Irish Northern-Western region

- **Regional Spatial and Economic Strategy (RSES)**, promoting coordinated regional development and alignment with national strategies. This facilitated long-term planning and strategic development initiative takes into account the urban-rural divide, one of the key challenges in the region.
- **TU Research and Innovation Supporting Enterprise Scheme (TU RISE)**. ERDF 2021-2027 funding to support the research capacity within Technological Universities and to enhance their collaboration with local and regional businesses and community partners.
- **Town Centre First Heritage Revival Scheme (THRIVE)**, ERDF 2021-2027 financing, to revitalise neglected buildings in urban areas through renovation, renewal and adaptive reuse. It supports

locally developed plans that adopt a holistic approach to urban environments and favours local authorities and communities to reimagine their own towns, to transform them into viable centres for residents but also into attractive destinations for residents, workers and visitors alike.

Apulia – Italy

- **"Innovative Apulian Youth – PIN"** to promote youth employment through the development of entrepreneurial projects. PIN provided learning opportunities through non-repayable funding with contributions going from EUR 10 000 to EUR 30 000 and the provision of accompanying services and skills enhancement support in developing projects with strong entrepreneurial and local development potential.
- **"Tecno-nidi"** to promote research and innovation projects with ERDF allocations of EUR 15 million. It promoted 283 initiatives from start-ups and SMEs aimed at economically valorising research results.
- **"Innonetwork"** initiative to foster the creation of public-private technological clusters to develop new technologies for regional industrial research and sustainable development programmes aimed at the creation of products and services. 48 projects have been financed.
- **"Title II Chapter 6" and "PIA Turismo**" calls for investments aimed at the expansion, modernisation, renovation of tourist accommodation facilities (also through the renovation of buildings of historical and architectural value) and beaches (including spaces for restaurants, bars, parking). Funding through bank loans and a grant equal to 20% of total investment and subsidised interest rates on total investment. Over 16 000 projects were financed for a total cost of over EUR 1 billion.
- **"Welfare to Work"** and **"MiFormoeLavoro"** programmes, with EUR 51.4 million to support unemployed people, including those receiving social assistance, in their (re)-entry into employment through access to free training courses.

WCR – Poland

- Creation of a **Steering Committee for the Coordination of Health Sector Support**, supporting **institutional cooperation** to address the needs of the region. The Committee involves various levels of governance and stakeholders connected to healthcare, with the primary responsibility to coordinate the use of European funds designated for the healthcare sector and promote projects in this area. Its activities contribute significantly to CP implementation by monitoring progress, assessing the effectiveness of funded projects and issuing recommendations.
- 2014-2020 **POWER** (National Operational Programme Knowledge Education Development) **programme** establishing **Day Care Homes**, thanks to the very **good coordination between regional and central support and regulatory reforms from the national level**. This measure promoted a new model of medical care in a home-like setting as part of deinstitutionalised care for dependent individuals. The Ministry of Health is currently working to classify long-term day care as a guaranteed benefit.
- **Creation of Working Groups within the Monitoring Committee**, allowing in-depth analysis of selected issues and preparing the documentation for the Committee meetings.

Source: Regional case studies

Apulia region (Italy)

The main challenges faced by the less developed Apulia region relate to significant outmigration and brain drain in inland and rural areas; high unemployment; limited infrastructure development and modest investment in innovation, R&D and digital infrastructure; a significant digital divide between urban and rural areas. Regional interviewees consider Cohesion interventions and their performance in the **2014-2020 period** as consistent with the regional challenges and generally positive.

With reference to **economic challenges**, the **regional industrial policy** played a strategic role: in the 2014-2020 programming period efforts focused on supporting investments in the regional entrepreneurial system through incentives for research and innovation activities, innovative services, tangible assets and access to capital markets. The **enhancement of regional transport and mobility infrastructure** was also of strategic importance. These measures not only contributed to improving the region's competitiveness but also addressed broader challenges related to territorial development and demographic trends.

Strengthening connectivity with the region's inland and rural areas as well as digital infrastructures contributed to mitigate depopulation. Meanwhile, supporting urban areas, especially by improving urban transportation conditions, enhanced the **wellbeing and quality of life** for residents and their social inclusion, particularly in the peripheral metropolitan areas. Therefore, these interventions made a positive impact on communities and tackled major social challenges. They also contributed to strengthen the **competitiveness of tourist destinations and of regional businesses**.

Most CP initiatives have been addressing regional economic challenges with the key goal to enhance business competitiveness, particularly through technological innovation and support for SMEs, with e.g. the *Innonetwork* and *TechnoNIDI* and in the tourism sector, with e.g. the '*Title II Chapter 6'* and *'PIA Turismo'* calls presented in Box 3.1. Furthermore, the *Digital Agenda* promoted the implementation of 32 projects, at a total cost of EUR 97 million, to help improve the region's digital capacity and economic competitiveness.

Several key targets have been achieved. For instance, under the **'Increase in firms' innovation'**, the proportion of researchers among total employees registered an increase of 0.21 pp between 2012 and 2018, reaching a current value of 0.31%. However, the share of companies engaging in R&D activities in collaboration with external partners recorded a decline of 13.3 pp between 2013 and 2017. In the field of **'Strengthening of the regional and national innovation system'**, the target for '*Total R&D expenditure as a percentage of GDP'* was met with an increase of 0.01 pp, bringing the total to 0.79%. Another significant target achieved is in the field of **'Increased incidence of innovative specialisations in knowledge-intensive sectors'**. The birth rate of enterprises in these sectors reached 9.6% in 2018 (the most recent year reported), with an increase of 0.33 pp from 2012.

Among the **social inclusion** measures, the **strengthening of work-life balance services** are especially noteworthy, along with **initiatives aimed at enhancing basic skills and combating school dropout rates**. Policies mainly focused on the social inclusion of young and marginalised people through the implementation of training activities and unemployment support ('Welfare to Work' and 'MiFormoeLavoro') (Box 3.1). Integrated social inclusion pathways, funded by both the ESF and ERDF, included training for healthcare professionals, service vouchers for vulnerable groups and financial contributions for active social inclusion, as in the case of 'Dignity Income'.

Finally, in supported businesses, **employment** increased from 17 265 annual work units (AWUs)[49] to 19 690 AWUs at the end of the programme (+14%). The growth rate in employment is significantly higher for start-ups and small enterprises: the former doubled the number of AWUs, the latter registered an increase of 40% (Regione Puglia, 2020).

Guyane (France)

This outermost region is characterised by underdevelopment, rapid population growth and high youth outmigration-migration and brain drain. Per capita GDP, education and employment rates and infrastructure are very low, while poverty rates are high. There is a prevalent informal economy and a very low digitalisation and broadband connection, particularly in internal areas.

CP outcomes in this region depended on the types of intervention. For example, in the context of ESF OPs, successes were observed in 'youth employment and professional training'. Professional training, for instance, in 2022 recorded a share of participants holding a job after training higher than the target (16.38% against a target of 15%). (CTG, 2024).

[49] Annual work unit (AWU) is the full-time equivalent employment, i.e. the total hours worked divided by the average annual hours worked in full-time jobs.

However, Interreg interventions were not very successful given the difficulties in cooperating with neighbouring countries.

Moreover, in this region, while CP has overall reached positive results in addressing regional socio-economic challenges, its recipients might not be able to experience those positive results or even notice them, as the rapidly increasing population creates additional pressures that counteract the progress made.

Regarding examples of projects of high interest funded by Cohesion Policy, **the Auto-Ecole Sociale Nomade (Social Nomad Driving School)** can be mentioned as a good practice (see Box 3.1). Through this project, driving lessons (practical and theoretical) were provided to young people in remote areas thanks to a moveable bus (which included a digital driving simulator). Thanks to this project, young people were able to secure driving licences, improving both their mobility and their ability to participate in social and working life.

Eastern and Northern region (Finland)

This transition region is sparsely populated and includes the Sámi minority. The main challenges relate to its declining and ageing population; youth outmigration and brain drain, resulting in economic stagnation and shortage of skilled labour together with high unemployment. Poor socio-economic conditions relate to high alcohol use, low educational attainment and low health conditions as well as low high-speed broadband connectivity compared to the national average.

Positive results were recorded in the 2014-2020 programming period for economic and social goals in this region, where the majority of CP objectives were achieved. Only Goal 1 'Innovation and research investments' was not completely achieved, while Goal 3 'Creating new jobs' was close to the target. In some cases, outcomes far exceeded expectations. For example, the target for Goal 2 'Supporting SMEs', to assist 5 660 SMEs, was significantly surpassed with 39 267 SMEs that received support and 24 874 companies that participated in R&D-led projects, mostly focused on business development and export expansion (Ministry of Economic Affairs and Employment, 2022). Similar positive results have also been registered in addressing social challenges. Objective 5 'Youth unemployment' declined from 20.7% to 15.6% in the Eastern and Northern regions (Finnish Institute for Health and Welfare, 2024b).

It is not possible to assess whether and to what extent these results can be attributed to Cohesion Policy interventions in the absence of an impact counterfactual evaluation. It is, however, possible to say that Cohesion Policy contributed to the achievement of these results. This was also due to the **consistent alignment between funding and regional development strategies**, made possible thanks to the active collaboration between regional authorities and national bodies to tailor funding allocations according to the specific needs and objectives outlined in regional programmes.

Northern and Western Regions (Ireland)

This region features strong internal disparities between the few urban centres and the surrounding rural areas. Lower GDP per capita compared to the national average is driven by a predominantly rural economy and brain drain from rural areas. The region also shows a low innovation capacity compared to other Irish regions: low R&D expenditures, employed ICT specialists and knowledge-intensive activities. There is also a poor broadband availability in rural areas.

CP results in relation to the ERDF OPs present a mixed picture. The region achieved notable results in tackling the identified socio-economic and technological challenges, with the main improvements concerning 'technological advancement' (with increased financial support and investments for higher education institutions and research centres and expanded high-speed broadband access for 1.1 million individuals); 'employment' (with training and mentoring activities indirectly supported job creation); and 'regional development' (with the establishment of community centres, which improved linkages between and among rural areas and renovated and upgraded streets). An interesting project is the **THRIVE** Project, financed through the ERDF for the 2021-2027 programming period. The initiative seeks to transform publicly owned vacant or derelict heritage buildings through renovation, renewal and adaptive reuse. It supports locally developed plans that adopt a holistic approach to urban environments, creating town centres that are not only viable and vibrant but also attractive destinations for residents, workers and visitors alike.

However, **significant territorial disparities still persist within the NWR** when compared to the other Irish regions. In fact, despite THRIVE being a positive example, the progress towards urban development was still notably slower compared to the other priorities (Irish Department of Public Expenditure and Reform, 2019). The NWR is therefore still considered a transition region (European Commission, 2023e), even though Ireland experienced substantial growth from 2011 to 2020.

Warsaw Capital Region (Poland)

This rapidly growing metropolitan area is among the wealthier regions in Poland. However, lack of a robust innovation ecosystem, absence of technology districts and underutilised potential for public-private collaboration in innovation hinder its potential for growth. In addition, high immigration flows from other areas and population growth are challenging public service provision and the housing market, leading to ghettoisation. Warsaw's satellite cities (i.e. smaller municipalities at the edge or periphery of the metropolitan area) face instead challenges from an ageing population.

Social challenges in this region have not been sufficiently addressed, partially due to the regional Cohesion Programme encompassing two vastly different regional contexts. One context pertains to the highly developed Warsaw metropolitan area, while the other pertains to the much less developed surrounding region. Even though the priority axes reached most of their targets[50], interviewed stakeholders underlined some shortcomings. For example, in the evaluator' opinion (EU-CONSULT, 2022), although Priority Axis 9 – Supporting social inclusion and combating poverty, was an accurate response to the identified problems and challenges, some additional support is needed, particularly with regard to people with disabilities. Similarly, in Axis 10 – Education for regional development, the measures for scholarships, basic education and promotion of key competences among adults were considered adequate; however, gaps in support have been highlighted for well-educated people under 30 years of age; for the development of e-learning modalities; and for scholarship support for students in areas with difficult transport accessibility. The region, indeed, still lags behind others in areas, such as health, environmental quality, housing, etc. Considering the Social Progress Index, the region ranked 132 out of 240 European regions in 2016 and declined to 156 out of 236 in 2024 (European Commission, 2020; European Commission, 2024c).

Despite these shortcomings, good practices have also been implemented in the region, with positive effects in addressing the challenges of the WCR. One example is the support to the establishment of Day Care Homes, thanks to the very good coordination between regional and central support and regulatory reforms from the national level (Box 3.1). This example shows how CP support helps to foster national systemic changes and, in the other direction,

[50] Only two indicators did not reach the target value by 2022: the number of schools and institutions and the number of VET teachers, with respectively 59% and 81% of the target value reached.

how systemic change guarantees the relevance and sustainability of the effects of CP support.

Good results have been obtained in addressing the economic challenges. As reported in the case study, the only result indicator not achieved is the expenditure on 'innovative activities in enterprises', which were expected to increase from 16 billion Polish zloty (PLN)[51] in 2012 to PLN 30 billion[52] in 2023, but only reached PLN 23 billion[53] in 2022[54]. All other indicators regarding R&D expenditure, export value or the share of innovative enterprises exceeded their target values, sometimes quite significantly. However, interviewed stakeholders highlighted that some other important aspects were lacking, such as the R&D projects that were not sufficiently focused on implementation and marketisation; or the inability to finance the construction of roads when creating investment areas; and the inability to create technology parks[55], considered a necessary asset for the region. Though it is not possible to establish the contribution of CP, some indicators register an improved innovation and economic capacity of the region. For instance, from 2019 to 2023, WCR has improved its rank in the Regional Innovation Scoreboard (RIS) by 19 places (from 138 to 119) (European Commission, 2019; European Commission, 2023).

Concluding remarks

In all the regional cases, CP has acted **in synergy with national and/or regional strategies** to address **territorial socio-economic challenges**.

The main common objective in the five regional cases has been to **improve territorial cohesion** and to **balance the territorial socio-economic development of peripheral areas** with the other territories through support to their socio-economic development. For example, **Guyane** addresses these goals both through the National Convergence Plan of 2017 and the Regional Planning scheme SAR-Schéma d'Aménagement Régional de la Guyane developed in 2016. These strategies supported a strict collaboration between the regional and the central government in order to even out the disparities in terms of development and innovation that occurred between the peripheral areas and mainland France. The goal of reaching a more homogeneous territorial development in Guyane aligns with ERDF/ESF OP's expenditures (with 76% of the regional OP's expenditures having an expected direct impact on territorial challenges in the 2014-2020 programming).

The need to **balance territorial development** in peripheral areas with the implementation of policies focused on increasing the competitiveness and growth of peripheral areas through urban development and transport investments. In both cases, the priorities addressed through the respective national and regional plans align perfectly with the ESF/ERDF priorities. Notably, around 68% of the regional OP's expenditure in the **Irish NWR** are directly addressed to territorial challenges during the 2014-2020 period. In the **Polish regional case**, even though CP funds generally focus more on economic rather than social challenges (usually addressed by national funds), in the case of territorial challenges the share of expenditures expected to affect these challenges appears similar for both national and CP funds, at 24.8% and 27.3%, respectively.

In the **Apulia** regional case, synergies are also evident between the 2014-2020 multi-fund ROP and the *Apulian Regional Strategy for Intelligent Specialisation* (including 'SmartApulia

51 ~3.84 bn EUR (exchange rate, 21 February 2025)
52 ~7.2 bn EUR (exchange rate, 21 February 2025)
53 ~5.52 bn EUR (exchange rate, 21 February 2025)
54 In fact, a year earlier it was only PLN 15 billion, less than in the base year 2012.
55 'Technology parks' are areas bringing together the headquarters of various high-tech and IT companies and university departments.

2020' and 'Apulia2020 Digital Agenda'). These synergies led to significant outcomes in terms of overall regional planning towards strengthening the Apulian economic system and labour market. They also contributed to **enhancing territorial development** as well as social inclusion, quality of life and health conditions. In this case, however, unlike the previous cases, the region decided to reach this goal through **investments in technological infrastructures**. Specifically, the *Regional Strategy for Intelligent Specialisation* provides a forward-looking vision, with the 2014-2020 ROP promoting growth through increased enterprise, employment and territorial development. In this context, the Strategy advocated for a close integration of 'horizontal' policies focused on innovation, competitiveness and internationalisation with 'vertical' policies addressing employment, welfare and health, cultural heritage, environment, transport and social inclusion. The Smart Specialisation Strategy also contributed to addressing the **development gaps in the most disadvantaged communities**, fostering the active participation of vulnerable groups and tackling the issue of the gender digital divide.

In conclusion, the analysis of regional case studies shows the **positive contribution** of CP in tackling regional socio-economic and demographic challenges. These results can be partially attributed to the ability to address the main regional socio-economic, demographic and territorial challenges as well as the strong synergies developed between the EU funds and initiatives and National and Regional Strategies implemented in each country and region. Economic challenges overall received the highest attention and more funds in a framework considering territorial cohesion as the focal point of most initiatives. Besides strengths, CP also registered some weaknesses analysed in Chapter 4 below.

4. COHESION POLICY STRENGTHS AND GAPS

KEY FINDINGS

The main strengths of Cohesion Policy emerging from literature and regional cases regard:

- The attention to territorial/spatial aspects and specificities and the targeting on less developed areas where private investment is insufficient.
- The promotion of shared management and partnership approach involving also regional/local public and private stakeholders.
- The Multiannual Programming Framework provides funding stability and certainty for multiannual investment plans and acts as an economic stabiliser.
- The adoption of a strategic approach and synergies between CP programmes and national/regional programmes and reforms has been strengthened with the introduction of conditionalities in 2014-2020 and enabling conditions in 2021-2027 promoting national reforms.
- Improved capacity to rapidly respond to major unforeseen crises, introducing greater flexibility and specific crisis instruments.
- Attention to institutional and administrative capacity building at all institutional levels, also through interregional cooperation and the exchange of experiences, which is central for effective implementation.

The main gaps regard:

- Difficulty in adapting CP programmes to the specificities of local contexts and challenges.
- Difficulties for innovative projects to adhere to the complex and often changing regulatory framework and the too stringent eligibility criteria.
- Weaknesses of governance systems and institutional and administrative capacities at national and local level and lack of political commitment.
- Low awareness among the general public of the role of Cohesion Policy in supporting socio-economic and territorial development.

4.1. Main strengths and enabling factors

4.1.1. Main Cohesion Policy strengths and enabling factors

The main strength of Cohesion Policy is its **strong attention to territorial/spatial aspects and specificities**, which differentiate it from other more sectoral EU instruments[56]. Related to Cohesion Policy's territorial and local dimension is the promotion of **partnership and shared management** involving also regional/local public and private stakeholders.

Existing evidence underlines that tackling EU and national socio-economic and demographic challenges at EU level is more effective than leaving it to the sole responsibility of national policies for many reasons. **EU-level action supports EU-wide priorities**, such as ensuring that recovery is inclusive and geared to the green and digital transitions. Through its **Multiannual ProgrammingFramework, the EU also provides funding stability and certainty for multiannual investment plans**, reducing their vulnerability to national

[56] Examples include the new EU Digital Strategy, 2020 (https://ec.europa.eu/digital-single-market/en/content/european-digital-strategy), the new Industrial and SME Strategy adopted in March 2020 (COM(2020) 102 final and COM(2020) 103 final).

economic and political cycles and improving prospects for implementation on the ground. Quantitative analyses show overall positive effects on attracting private investment, not just during the programme's duration but also beyond its completion.

The **targeting of Cohesion Policy on less developed areas** where private investment is insufficient due to market failures (such as difficult access to credit for start-ups and micro and small enterprises) or the lack of essential public services and infrastructures (e.g. education, childcare, health and employment services), helps to create an environment that encourages private investment, rather than replacing it. For instance, Sarkar, Bilau, and Basílio (2021) highlight the positive role of large infrastructure in promoting, within Smart Specialisation Strategies, the innovation potential of rural areas.

More intensive investments in less-developed and transition regions also generate spillover effects to the other EU regions through stronger connectivity and trade flows.

Over time, Cohesion Policy has also **acted as an economic stabiliser**, supporting investments during the financial crisis and, more recently, during the COVID-19 pandemic and Russia's war of aggression against Ukraine.

The attention to employment and social inclusion for territorial development through targeted measures and the adoption of the mainstreaming principle represent another important strength of Cohesion Policy. Employment and social inclusion policies are considered key determinants for sustainable long-term term economic growth. Since the 2014-2020 programming period, **ERDF funding also supports investments in social infrastructures**, while the **ESF include specific measures targeted to gender equality and equal opportunities for all**, supporting the employment and social inclusion of women and population groups at high risk of discrimination (e.g. ethnic minorities, such as Roma, persons with disabilities, third country migrants, people living in rural areas, the low skilled). The requirement to allocate at least 20% of ESF resources to the social inclusion thematic objective (TO9) contributed to improve the extent to which ESF interventions engaged hard-to-reach disadvantaged groups (like the Roma or the homeless) with targeted measures.

CP action also **feeds on and promotes interregional cooperation** and the exchange of experiences, both cross-border and across the EU, promoting capacity building. **Interreg programmes** provide high EU value added despite their low budget (around 3% of all Cohesion allocations). Their role has been strengthened in the current programming period 2021-2027 and they now offer more flexibility in addressing specific challenges and priorities.

With the 2014-2020 programmes, Cohesion Policy also introduced a number of important **improvements in approach** compared to the previous ones. These improvements have been reinforced in the current 2021-2027 programming period and will be further strengthened and refined in the future since they worked well.

A key improvement is the introduction of **ex-ante conditionalities in 2014-2020 and of enabling conditions in 2021-2027** to support the quality and sustainability of investments at the EU and national/regional level by promoting the implementation of national reforms according to the CSRs of the European Semester. This approach is considered by EU interviewees as very promising to promote and support national reforms and links with the European Semester. Another important development has been the **adoption of a strategic approach** (as in the case of Smart Specialisation or R&D strategies), whereby countries and regions have to develop territorial development strategies and strengthen **the synergies**

between Cohesion Policy programmes and national/regional programmes and reinforce the **partnership approach**, with a stronger involvement of regional/local stakeholders, including private ones, in the design of strategies.

Another improvement regards the **improved capacity to rapidly respond to major unforeseen crises**. Learning from the austerity mistakes in the response to the 2007-2008 financial crisis as well as the unprecedented economic stimulus provided by new instruments, such as NextGenerationEU and the RRF, Cohesion Policy has played a central role in EU crisis responses, enabling a swift recovery from the economic fallout of the COVID-19 pandemic (European Commission, 2024b). By becoming **more flexible and setting up specific crisis instruments**, it allowed Member States and regions to react quickly and effectively against the effects of the pandemic and the war in Ukraine.

The greater attention to **institutional and administrative capacity building** at all institutional levels is another important strength of CP and is crucial for effective implementation. A specific Thematic Objective (TO 11) 'Enhancing Institutional Capacity of Public Authorities and Stakeholders' was introduced in the programming period of 2014-2020, whereas in the current period of 2021-2027, this has become a horizontal principle. The key principles of needs assessment, transparency, accountability, partnerships and multilevel-level coordination/cooperation have been promoted by CP, with important spill-over effects on national and regional policymaking.

4.1.2. Evidence from the case studies

Table 4.1 below summarises the main Cohesion Policy strengths and enabling factors in the five regional case studies that emerged through interviews and desk research.

Table 4.1 – Main CP strengths and enabling factors in tackling socio-economic and demographic challenges in the regional cases

Regions and Countries	Main Strengths and Enabling Factors
Pohjois-jaltä Suomi Finland	• **Alignment between funding and regional development programmes**, tailoring funding to the specific needs of each region. • **Collaboration between regional and national bodies** allowed funding to support projects with lasting impacts on regional growth. • **The JTF, introduced in 2021, supported business relocation and growth in areas undergoing economic transition**, providing continuity with ERDF priorities and helping stabilise regional economies. • **EU funding has accelerated the digital and green transition**, creating new opportunities in development paths that were not the traditional ones in these regions.
Guyane France	• **Capacity building** of potential applicants through awareness-raising meetings and personalised advice.
Northern and Western Ireland	• **Effective synergy and coordination among EU funds**, coupled with **alignment between Cohesion Policy and national and regional initiatives** through the creation of the RSES, which promotes coordinated regional development and alignment with national strategies. • **Regional Enterprise Plans (REPs) and the involvement of local agencies** fostering community involvement in regional planning processes. • **Well-developed coordination mechanisms among stakeholders at national, regional and local levels** through the set-up of Irish regional assemblies and public consultation initiatives.
Puglia Italy	• **Flexible programming approach** to address unforeseen emergency situations. • **Focus on broad and cross-cutting priorities** based on an **integrated approach**, across funds and thematic areas within the same fund and at the territorial level.

	• **The Smart Specialisation Strategy** (Smart Puglia 2020 and Digital Agenda Puglia 2020) plays a crucial role in ensuring enabling conditions for innovation (high-speed networks, digital and interoperable public services, creation of ICT skills, etc.). • **Systematic engagement with institutional and socio-economic partners** through institutional tables and in-depth focus groups accompanying all the phases of the programme.
Warszawski stołeczny Poland	• **Establishment of the Warsaw Metropolitan Association** that participates in the implementation of ITI (Integrated Territorial Investments)[57] and animates the cooperation between local authorities. • **Collaboration between local governments** to address the challenges in a metropolitan region.

Source: Regional Case Studies

The evidence emerging from the regional case studies indicates that there are two major **enabling factors**, which are common across the different European regions considered.

The first is the development of **effective mechanisms for coordination and cooperation** among the wide range of stakeholders involved in Cohesion Policy implementation, specifically regional and local authorities, national authorities and other non-governmental bodies. The importance of coordination among stakeholders was identified as a key element of success in the Polish, Finnish, Irish and Italian regional cases.

In the **Polish region of Warszawski stołeczny**, collaboration between authorities through the establishment of the *Warsaw Metropolitan Association* allowed to effectively address the challenges of the metropolitan area by building strategic partnerships and by drafting a strategic diagnosis and a supra-local development strategy. Another good practice reported in the Polish case study on effective cooperation mechanisms is the establishment of the *Steering Committee for the Coordination of Health Sector Support*, which operates as the main coordination body for the healthcare sector under the Partnership Agreement Committee and is responsible for the efficient management of Cohesion Policy projects and resources in this area.

In the **Irish case,** the creation of *Regional Assemblies* and other *public consultation initiatives* during the programming phase allowed different stakeholders and bodies to jointly identify the main priorities and needs to be addressed through Cohesion Funds.

Collaboration among authorities at regional and national level and 'comprehensive stakeholder engagement' in the programming phase was also mentioned as a key enabling factors in the **Northern-Eastern Finland** and in **Apulia (IT)**, where the **systematic engagement of institutional and socio-economic partners** in participatory processes allowed positive contributions to the definition of regional strategies to be received.

The second most mentioned enabling factor is the development of **synergies among Cohesion Policy and other relevant national and regional programmes and initiatives**, which draws on the existence of effective cooperation mechanisms.

In **Northern and Eastern Finland**, interventions were tailored to local needs and Cohesion Policy resources were complemented with other national and regional development programmes to maximise positive effects. By aligning programmes and funding, it was possible to improve the efficiency and effectiveness of resource utilisation while simultaneously fostering a sense of ownership and accountability among regional actors. Synergies among different funding mechanisms have been improved particularly in the

[57] Integrated Territorial Investments – ITI, introduced in 2015 in the Common Provision Regulation for the European Structural and Investment Funds, aim to make it easier to run territorial strategies that need funding from different sources. They also promote a more place-based policymaking at the local level.

2021-2027 programming period. Aligning policy priorities at national and regional level with the objectives of Cohesion Funds to promote a more integrated approach to regional development has proved to be crucial in the case of the **Irish Northern and Western Region** as well.

In the **Italian Apulia** region, the lack of synergies with other national programmes and investments was partially compensated by the adoption of an **integrated approach** with the decision of the region to adopt a 'multi-fund' Operational Programme, including both the ESF and ERDF. In addition, the region decided to focus on a number of **cross-cutting priorities** to be addressed by both funds in order to implement more holistic interventions. The crucial role of the **Smart Specialisation Strategy** to ensure enabling conditions also represented an element of success.

In the French region of **Guyane**, on the other hand, a key enabling factor was the implementation of **capacity building** activities targeting applicants to Cohesion Policy financial support in order to ensure that they had the administrative capacity to manage projects. These capacity building initiatives took several forms, including, for example, awareness meetings and tailored funding guidance.

4.2. Gaps and criticalities in CP interventions and lessons learned

4.2.1. Main Cohesion Policy gaps and shortcomings

Despite the upward economic and social convergence registered in the last two decades, socio-economic and territorial disparities persist and a growing number of regions risk being caught in a **development trap**, struggling with new challenges that build on existing ones. In this context, it is necessary to consider CP shortcomings, to derive indications on how it can be improved to address the changing socio-economic, demographic and territorial conditions. Most of the shortcomings underlined in evaluations, interviews and the regional cases regard the CP implementation and regulatory framework, which often hinders the activation of effective place-based interventions tackling context-specific challenges.

An issue underlined in the Letta Report on the Single Market[58] (Letta E., 2024) is the 'national/regional bias' of Cohesion Policy and the **still too low investments in inter-regional and transnational cooperation projects**. This bias does not allow to fully exploit the benefits for socio-economic growth of connecting with other places beyond the national borders. For example, in the field of **technological innovation**, there are studies showing that linkages with more advanced regions are very important for less-developed regions as they provide access to complementary capabilities related to those existing in these regions and allow them to diversify into new growth patterns and technologies (Ballanda-Boshema, 2021). However, inter-regional cooperation on innovation is still limited and largely occurs within national borders. This is mainly due to the limited funding and greater governance complexity of initiatives involving regions and countries with different institutional set ups.

Another issue emerging from the literature and EU interviews is that CP programmes often struggle to fully address **context-specific challenges**, often due to **lack of political commitment and the quality of institutional and administrative capacity at the**

[58] The Report is an independent High-Level Report on the future of the Single Market, prepared by Prof. Letta for the European Council and the Commission. It was based on an extensive field work carried out between September 2023 and April 2024, based on study visits across EU and candidate countries and more than 400 meetings with EU, national and regional stakeholders, including representatives of public institutions, social partners, third sector and civil society groups, citizens and academics/researchers.

regional and national level, which may hinder the potentialities of multilevel and multi-actor governance in promoting regional and local strategies. Indeed, research and empirical evidence[59] show that the quality of national and regional government impacts regional economic performance and the capacity to access and effectively use EU funding. Nevertheless, the role of government quality for performance has received little attention in Cohesion research (Mendez & Bachtler, 2024) and is often restricted to a limited number of national or regional case studies (e.g. Baun & Marek, 2017; Milio, 2007; Terracciano & Graziano, 2016) or sector-specific studies. For example, poor institutional capacity and weak initial endowments of resources (including economic and social networks) are considered as the basis of the different outcomes of Smart Specialisation Strategies (S3) across EU regions (Barzotto et al.2020). In addition, in some regions, the lack of political commitment and apathy in establishing new economic networks have negatively affected S3 implementation (Uyarra, Marzocchi, and Sorvik, 2018). A Commission study concluded that 'lack of human capital and poor institutional quality hampers competitiveness and investment decisions', representing one of five sets of factors explaining weak growth in low-income and low-growth EU regions and requiring investment to strengthen institutional capacity and the efficiency of public administrations (European Commission, 2017).

In the **absence of well-established institutional and administrative capacity at national and local level**, the multilevel governance approach may not work and may instead create difficulties and delays in implementation because of the additional institutional levels included in decision-making and implementation. When many administrations and bodies are involved, the governance system risks being less efficient in terms of **accountability** as it is difficult to attribute responsibility to the individual administrator, given that there are many chains of administrators involved, often without clear definitions of roles.

Institutional and administrative capacity is also key for the **implementation of innovative projects** (particularly in the case of the digital and green transition) that often have difficulties in adhering to the rigid and often changing regulations of Cohesion Policy. Furthermore, **supranational coordination at EU level may be needed for certain projects, such as large infrastructure projects**. As underlined by Crescenzi and Giua (2016), bottom-up policies are not always the best approach to territorial cohesion. Top-down policies may – in some cases – be effective in order to channel resources to the most socio-economically deprived areas. For instance, when administrative and institutional capacity is low, a top-down approach may be preferable, as in the case of the Smart Specialisation Strategy 2014-2020 that required an amount of administrative burden and reorganisation not sustainable by less developed regions or regions with low institutional and administrative capacity. Territorial cohesion therefore requires the flexible integration and coordination of both bottom-up and top-down approaches.

EU interviewees also highlight issues related to the **complexity of the regulatory framework** and the regulatory changes from one programming period to the other that take time to be metabolised by Managing Authorities, especially in countries and regions with weak institutional and administrative capacity. In these cases, frequent changes in the regulations risk to become more disruptive than the benefits they bring, although there are examples of strong improvements in administrative capacity (e.g. in the Spanish case). Therefore, a lesson learned is to be **more cautious in changing regulations**, introduce

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[59] On this see, for example, Bachtrögler & Oberhofer, 2018; Becker et al., 2013; Crescenzi & Giua, 2016Muringani et al., 2019; Rodríguez-Pose, 2013; Rodríguez-Pose & Di Cataldo, 2015;Rodríguez-Pose & Garcilazo, 2015; Rodríguez-Pose & Ketterer, 2020.

changes more gradually in order to better assess their possible effects in different contexts, leaving some space for flexibility and providing technical support.

Another issue is the **difficulty to apply the Funds regulations for some types of innovative social and economic interventions**. For example, EU Commission interviewees mentioned ESF social inclusion measures targeted to the homeless or to undocumented migrants, where it is difficult to justify funding when these beneficiaries cannot be registered. In addition, the complexity of regulations and particularly of those on expenditure reporting create many barriers to the participation of NGOs and local administrations, reducing the potential number of beneficiaries and interventions that could be implemented at the local level.

The complexity of CP regulation might also hinder the implementation of innovative interventions. The timeframe of Cohesion Policy and the regulatory burden, particularly for the documentation to be presented, are not compatible with launching innovative projects. As stated by an interviewed expert: 'For companies that could make a difference in terms of competitiveness, Cohesion Policy is not an aid' and often companies that participate in Cohesion Policy calls are not the most competitive and innovative ones, because the functioning of Cohesion Policy does not correspond to their needs. In addition, there is still a diffused perception among Cohesion Policy stakeholders and beneficiaries of financing arriving only at the end of projects because they are based on documented real costs. Extending the use of performance-based funding and of 'financing not linked to costs' (introduced in 2019), would link EU funding directly to the achievement of pre-defined outputs, results or conditions. In addition, encouraging Member States to apply 'simplified cost options' (SCOs) rather than documented costs, could be a way to tackle this problem and reduce paperwork.

The presence of **too many funding instruments** available to address regional disparities is another issue, asking for a rationalisation of funding tools, especially at times of budget constraints. A greater **focus on strategic planning and multi-funding**, involving also the private sector, is needed.

Finally, another critical issue emerging from EU interviewees regards the **low awareness among the general public of the role Cohesion Policy** in improving their living conditions, which asks for a more effective communication.

4.2.2. Evidence from the regional case studies

Table 4.2 below summarises the main gaps of Cohesion Policy in addressing socio-economic challenges that emerged in the five regional case studies through interviews and desk research.

Table 4.2 - Main gaps of Cohesion Policy in addressing socio-economic challenges in the five regional case studies

Country	Main Gaps
Pohjois-jaltä Suomi Finland	• **Difficulty of Cohesion Policy to address complex structural demographic issues**, such as an ageing population and low birth rates needing long-term structural measures. Cultural and social factors heavily influence these issues and finding suitable projects can be a challenge. • **ERDF, JTF and ESF funding instruments could better complement each other** by aligning goals across funds to address skill shortages. Again, short-term challenges, such as unemployment, have been effectively addressed, while long-term skills development is crucial for regional growth.

	• Still **little flexibility in objectives** to adapt to global changes. • Need to **better account for the varying stages of regional development** in future funding cycles.
Guyane France	• **Regional specificities sometimes do not fit into the overarching framework of EU Cohesion Policy**. EU Cohesion Policy priorities bear no direct connections with the demographic or remoteness situation of this region. • **Too stringent eligibility criteria** for the specificity of the Guyane region. • **Lack of capacities among potential applicants and project leaders in the management, financial processes and other administrative aspects**, leading to implementation difficulties and low project quality. • **Issues in the division of responsibilities between regional stakeholders**. In some cases (e.g. migration issues), the central government is the only responsible party, with CP intervening only partially in the regional/local contexts.
Northern and Western Ireland	• The Irish substantial **growth from 2011 to 2020 was not equally distributed** among all regions and it did not lead to greater regional convergence. • Lack of **localised and targeted interventions, particularly in urban centres**, to prevent resources from being overly diluted across extensive rural areas. This strategy would ensure that individuals living near urban centres have improved access to essential services, thereby reducing the need for relocation. • **Limited synergy between ESF+ and ERDF**: Even though the objectives of the programmes were aligned, the actual collaboration between the Managing Authorities was limited. • **Too stringent eligibility criteria** for some initiatives, particularly in relation to regional characteristics, limiting access to funding for regions with unique socio-economic characteristics.
Puglia Italy	• **Interventions related to urban development (Axis XII) were the most challenging** because municipalities were not initially foreseen as the direct recipients of the ROP resources. This caused delays in the implementation of strategies and requested an additional effort in preparing the administration to manage the interventions. • **More investments should have been directed towards healthcare, welfare and social services due to the ageing population**, while the 2014-2020 programming period focused more on industrial policies. • The **mid-term evaluation of the Smart Specialisation Strategy** evidenced specific critical issues: insufficient **efforts to integrate support for R&D and innovation and training**; a **stronger focus on supporting R&D activities within total investments** is needed, especially in sectors with a lower tendency for innovation; **existing gaps with the Italian context were not fully closed** (even less compared to the European context).
Warszawski stołeczny Poland	• **Limited support for building housing infrastructures** discourages potential labour from entering the regional labour market, therefore hampering the relevance of CP to the WCR competitiveness challenge. • **EU's requirement for a minimum of 5% of the ERDF for cities is insufficient**. Experts believe metropolitan areas address not only their own issues but also those of surrounding regions, providing services to external customers. **Low policy recognition of metropolitan governance structures** and the **absence of a national metropolitan law** hamper recognition of metropolitan challenges and effective governance for tasks that exceed the capacity of individual municipalities. • **Although improved, CP regulations are still considered not sufficiently flexible to rapidly address some rapidly emerging crises** (e.g. the Ukrainian refugees' crisis). This also relates to the difficulty to tailor support to the specific regional needs. • **One operational programme for two very different regions (NUTS2 units) is problematic**, leading to **underestimating or downplaying the challenges of the more developed metropolitan region**.

Source: Regional Case Studies

The regional case studies confirm that, depending on the characteristics of the region, Cohesion Policy may not be able to fully respond to certain **context-specific challenges**.

This is for example the case of **Guyane**, which presents a very peculiar socio-economic context, facing challenges that are sometimes the opposite of those faced by the rest of France and the EU more in general, as in the case of demographic trends. This makes it more complicated for this region to fit into the overarching framework of Cohesion Policies. In addition, the lack of administrative capacity of applicants and the division of responsibilities among institutions at regional and national levels were shown to limit the potential of Cohesion Policies in this outermost region.

In a similar way, in **Poland** in the 2014-2020 programming period, the formulation of a single programme for two very different NUTS2 regions, one (the Warsaw metropolitan area) being a highly developed metropolitan area and the other a less developed surrounding area, has proved to be counterproductive and made it more difficult to capture and tackle the specific challenges and disparities of each territory. In the 2021-2027 programming period, the creation of the Warsaw Metropolitan Association and the allocation of specific funding to the metropolitan area was a way to address this issue. However, this funding was very limited, particularly for supporting housing infrastructures, disregarding the crucial role that these areas could play in addressing the issues of their surroundings.

Another issue that was underlined in different case studies is, despite recent improvements, the limited flexibility in Cohesion programmes. According to the **Polish and Finnish regional case studies**, more flexibility is needed to promptly address unexpected crisis and emergencies, such as the war in Ukraine and the COVID-19 pandemic and, more generally, to adequately address global challenges. The **Irish regional case study** also underlines that the lack of flexibility, particularly concerning **eligibility criteria**, risks limiting the potential of CP interventions

Although **synergies** between Cohesion Policies and other national and regional programmes were indicated as enabling factors in different case studies, national experts also pointed out how these synergies were often **not adequately exploited** in the implementation phase. For example, in the **Finnish regional case**, a better acknowledgement of the varying stages of regional development in the programming phase is needed. Moreover, synergies among different programmes and funding – although recently enhanced – should continue to be improved. Similarly, in the **Irish regional case**, although the objectives of the programmes were aligned and synergies were created with other interventions, cooperation between ESF+ and ERDF Managing Authorities in the 2020-2027 programming period was too limited and this partially reduced the potential positive effects of a more integrated approach to Cohesion Policies.

The **lack of synergies with other national policies and investments** also represented a crucial issue in Italy and particularly in Southern regions such as **Apulia**, where different funding sources are not always used complementarily. Another problem in the **Italian** Apulia case relates to **lengthy and complicated administrative processes**, paired with difficulties in coordinating different governance levels and changes in roles and responsibilities. This was the case for example of the Axis on Urban Development, which has been particularly challenging due to the decision to have municipalities as direct recipient of resources. In addition, in Apulia, interviewees underlined the need for a stronger focus on health and welfare interventions to address structural demographic phenomena, such as low fertility rates and population ageing. Concerning industrial policies and particularly the Smart Specialisation Strategy, R&D and innovation interventions should have a stronger focus on training and human capital in order to stimulate innovation and to address the brain drain issue more effectively, to close the gap with the rest of Italy and the EU.

In the **Northern and Eastern areas of Finland**, Cohesion Policies had limited results in addressing complex challenges, such as the demographic decline. The main issue, in this case, relates to the attempt to solve long-term trends through short-term initiatives and funding.

In the **Irish North-Western region**, the main persisting gaps are the lack of convergence among regions and the persisting urban-rural disparities in economic growth.

The **lack of synergies with other national policies and investments** also represented a crucial issue in Italy and particularly in Southern regions, such as **Apulia**, where different funding sources are not always used complementarily. Another problem in the **Italian** Apulia case relates to **lengthy and complicated administrative processes**, paired with difficulties in coordinating different governance levels and changes in roles and responsibilities. This was the case for example of Urban Development actions, which have been particularly challenging due to the decision to have municipalities as direct beneficiaries of resources.

4.3. Concluding remarks

To conclude, while Cohesion Policies proved to be effective in addressing many social and economic challenges at the regional level, in some areas there is still **room for improvement**.

Available evidence on the experience of Cohesion Policy design and implementation so far underlines the importance for policy effectiveness **of reinforcing some of CP strengths**: the place-based approach, tailoring interventions to the specific regional context conditions and needs; the multi-year programming framework ensuring certainty of funding; the multilevel governance approach and the partnership with key public and private stakeholders to ensure the valorisation of context-specific knowledge and experience; the concentration of resources on less developed regions and Member States; and the linkages between CP investments and national reforms through enabling conditions and the alignment with the European Semester and EU policy initiatives and strategy targets.

The main drawbacks and **room for improvements** regard the need for focusing more on emerging complex challenges that require more integrated policy approaches and overcoming the current sectoral approach to policymaking. For example, in most countries and regions, CP interventions addressing demographic change and the urban-rural divide are still limited. This is partly due to the complexity of required policy responses asking for an integrated approach addressing different policy fields often under the responsibility of different administrative departments (e.g. health, long term care, social and employment and education and training services, adaptation of housing, working places, infrastructure, welfare and social protection measures, etc.). Concerning industrial policies, the Smart Specialisation Strategy, R&D and innovation interventions need to integrate a greater focus on human capital development through strengthened education and training measures and a stronger interregional cooperation to avoid internal regional competition and to address the brain drain issue hindering the development capacity of less developed regions.

Cohesion Policy experience in the **delivery system** also presents room for improvements that will have to be considered for greater effectiveness. The main ones emerging from the literature review, interviews and the regional cases regard the need for stronger institutions able to design and implement context-sensitive interventions, promote effective horizontal and vertical cooperation and coordination within and across borders to develop pro-active and polycentric spatial strategies within common overreaching national and EU strategies; stronger engagement and activation of public and private stakeholders in effective partnerships; greater coordination and coherence with national and EU policies; a more flexible and simplified regulatory and delivery system to improve the capacity to adapt to specific and changing context conditions to promote innovative interventions; and to enhance administrative efficiency.

The **regional cases** show that Cohesion Policies had limited results in addressing the demographic decline in the Northern and Eastern areas of Finland. The main issue, in this case, relates to the attempt to solve long-term trends through short-term initiatives and funding. Similarly in the Italian region of Apulia, interviewees underlined the need for a stronger focus on health and welfare interventions to address structural demographic phenomena, such as low fertility rates and population ageing.

The lack of convergence among regions and the persisting urban-rural disparities in socio-economic growth are the main persisting challenges in the Irish regional case. Addressing these challenges, balancing the different needs and interests of urban and peripheral/rural areas, requires a strong capacity to define spatial strategies covering different policy fields and the cooperation of public and private stakeholders of different municipalities and different institutional levels.

5. THE FUTURE OF COHESION POLICY: DEBATE AND POLICY IMPLICATIONS

KEY FINDINGS

- In a rapidly and dramatically changing global situation, the future role and priorities, approach and tools of CP are under debate.
- Cohesion Policy should strengthen its place-based and people-oriented approach as well as improve synergies with other European, national and regional structural policies and reforms, within a common strategic framework.
- Investments should still be concentrated in less developed and stagnating regions already in or at risk of falling into development traps. The EU social economy model should be strengthened, continuing to support socio-economic convergence and equality of opportunities for all, especially the most vulnerable.
- **Global networks and cross-border investment** should be promoted to support regional engagement in global value chains and **cross-border cooperation**.
- To improve effectiveness, Cohesion Policy should support **institutional and administrative capacity building** at all levels and **adopt a performance-orientated approach**, with an increased emphasis on outcomes, as in the case of the RRF.
- **Simpler and more flexible procedures, eligibility criteria and reinforced monitoring and evaluation** systems would improve implementation efficiency.
- The **EU Parliament has played a significant role in negotiating the reform of CP for the 2021-2027 period**. It should continue to enhance EU CP and its key role in supporting the economic, social and territorial cohesion of the EU.

5.1. The debate over the future of Cohesion Policy

For over 30 years, CP has supported social and economic progress and cohesion throughout the EU and has emerged as the most extensive and advanced strategy for territorial development, serving as a model for similar efforts worldwide.

As described in Chapter 2, the EU now faces urgent and more complex challenges compared to those of the past decade, characterised by growing geopolitical conflicts and tensions as well as profound interacting demographic, technological, socio-economic and environmental challenges. These challenges reinforce each other and require **systemic answers**. It is therefore necessary to further reflect on the future of CP, its role and priorities as well as the approach and tools to be adopted for tackling structural changes and enhancing the quality of life for all European citizens.

Cohesion Policy has indeed come under greater scrutiny since the economic crisis and particularly in the debate on the post-2020 Multiannual Financial Framework and the future of the EU. Some contributions to this debate were critical of the added value and performance of Cohesion Policy (Bachtler et al., 2016a, 2017). In more recent years, the positive outcomes of the 2014-2020 period and the need to find ways to maintain the territorial re-distributive role and place-based approach of CP in a rapidly and dramatically changing global situation have gained renewed attention[60]. A stronger and more effective CP could valorise the EU innovation and human capital potential and improve the EU capacity to deal with pressing global challenges, improving socio-economic and territorial living conditions and contrasting the risk of a growing anti-EU sentiment and the weakening of EU solidarity values.

As new policy priorities emerge alongside a shifting global environment, the EU is entering a new legislative phase, with discussions on the post-2027 budget set to start in 2025. This context is fuelling an extensive debate on the future of Cohesion Policy, illustrated in the next sub-chapters, taking stock of CP experience in past programming periods, its strengths, gaps and room for improvement, discussed in the previous chapters.

5.1.1. The role and objectives of Cohesion Policy

Socio-economic and territorial inequalities across and within EU countries and regions will be aggravated by the acceleration of interacting demographic, technological, socio-economic and environmental challenges in the coming years. There is growing consensus that to tackle these challenges, **more context-sensitive, sustainable policy responses** are needed, enhancing the role of CP as well as its **governance and implementation system**.

According to some studies (Medeiros et al., 2024), the performance of EU Cohesion Policy in addressing territorial cohesion in the EU and its different effectiveness across territorial areas are due to the difficulty to fully address **context-specific challenges**, despite the rising attention on socio-economic and territorial cohesion and on capacity building (Demeterova, 2023). Context-specific barriers to effective implementation include weak initial endowments[61] and development conditions, poor governance systems and institutional failures and the lack of political commitment and of inter-institutional coordination and synergies. The causes of diversity in development conditions vary across regions and may include insufficient economic specialisation, an ineffective innovation ecosystem, gaps in services and skills mismatches. These factors require an in-depth tailored analysis in order to define adequate targeted policy responses, including strategic investments and reforms to support the potential of regional economies, unlocking existing capabilities and promoting different forms of innovation.

As pointed out by the High-Level Group (HLG) on the Future of Cohesion Policy (European Commission, 2024b), CP should strengthen its **place-based and people-oriented approach**.

To mobilise the untapped economic potential in the EU, investments should continue to concentrate in **less-developed and stagnating regions** already in or at risk of falling into development traps. The type of intervention needs to align with regional specific conditions and be based on a **preventive approach**. For instance, the HLG on the Future of Cohesion Policy suggests differentiated policy packages, depending on regional development challenges. For **lagging behind regions** suggested interventions combine investment in infrastructure (including social ones) and in productive capital as well as enhanced education and upskilling interventions and support to institutional quality in order to develop local ecosystems capable to attract foreign investments and GVC. In the case of regions **caught or at risk of falling into a development trap**, preventive interventions are suggested through education, upskilling and lifelong learning measures as well as support to economic diversification in order to be prepared

[60] In 2014-2020 Cohesion Policy registered a paradigmatic shift towards greater territorialisation and bottom up participation in the wake of the Barca report (Barca, 2009), which promoted the use of place-based policies (Barca et al., 2012; McCann and Rodriguez-Pose, 2011). The need to reconcile place-based territorial development with the EU broader strategic priorities is discussed in Molica et al., 2024.

[61] These depend on the country/region development phase and refer, for example, to the presence of economic and social networks; young and highly educated human resources; well-connected ICT and transport infrastructure; etc.

for changes in GVC, digitalisation and AI. Finally for **regions and individuals at high risk of poverty and social exclusion**, investments in education and training remain crucial, together with labour market policies for employment and income support, together with measures contrasting brain drain and supporting the provision of essential services.

Improving EU competitiveness

As underlined by the HLG, the debate is currently catalysed on how to contrast the **EU economic and competitiveness decline** compared to leading developed and emerging nations. To tackle these economic challenges, the EU should combine a stronger and more focused EU industrial and innovation policy with a CP able to activate the underused resources and talent in all EU regions and territories. According to the Draghi Report on the Future of Competitiveness in Europe (Draghi et al., 2024), Cohesion Policy should focus on supporting innovation and completing the Single Market, ensuring intra-EU convergence. 'Specifically, Cohesion Policies will need to be re-focused on areas such as education, transport, housing, digital connectivity and planning, which can increase the attractiveness of a range of different cities and regions' (Draghi et al., Part 1, p. 11).

A recent European Commission study points out the need for peripheral regions to focus on **international and interregional connectivity** as a main strategy for local economic development (European Commission, 2023f). **Global and intra-EU networks**, through trade and Foreign Direct Investment (FDI), could ensure regional engagement in GVC, strengthening **interactions and cooperation** to improve linkages and spill-over effects between less and more dynamic and advanced regions, at national and transnational levels (Letta et al., 2024). For example, although European capitals and fast growing economic metropolitan areas, like London, Munich and Paris, are at the centre of global networks for most sectors, over the last decades, some regions of the EU eastern periphery have emerged as new global and/or continental hubs in electronics, textile and apparel and the automotive industry (European Commission, 2023f, p. 97)[62].

Supporting social inclusion and job creation

To improve regional economic growth and innovation and limit the possible negative social effects of the green and digital transitions, investment in these transitions should be complemented with **education and training support, employment support and social inclusion measures** to address lack of skills and risks of poverty and social exclusion.

There is indeed a strong economic rationale for investing in social, employment and education policies. Economic theory and empirical research underline that social inclusion and attention to distributive issues are necessary for the sustainability of long-term growth[63], particularly so in economic and monetary unions like the EU, where negative social and employment shocks are likely to have spillover effects beyond regional and national borders, given the high economic interdependence between regions and Member States.

[62] The study reports that several Eastern European cities (and particularly Bucharest and Prague), together with other EU-15 prime cities (such as Madrid, Munich, Paris, Stockholm and Vienna), are part of intra-EU networks, while some metropolitan areas (such as Amsterdam and Munich) are in the innermost core of both global and intra-EU R&D networks in electronics.

[63] The empirical evidence and developments in economic theory support the view that inequality hampers the sustainability of growth (J. Pontusson, 2005; Berg and Ostry, 2017; Ostry et al., 2014). For example, Ostry et al. (2014) find that inequality is among the variables with the strongest effects on both the pace of medium-term growth and the duration of growth spells. Too much inequality can provoke social conflict and political instability and thus discourage investments, including investments in education and entrepreneurial activities, leading to low human capital accumulation, which is among the key drivers of economic growth.

As underlined in the 9th Cohesion report (European Commission, 2024a), CP should concentrate on long-term objectives and investments supporting the diversification of regional economies and improving the **education and skills of the population** to ensure long-term structural results and that the digital and green transitions and international competition do not have disrupting effects on EU regional economies and citizens. Studies on the long-term impact of European funding show indeed the highest return for **institutional capacity** and for **education and training measures**. As also pointed out by EU interviewees, a more skilled labour force could reduce skills mismatches and labour shortages and support the adoption of advanced technologies and productivity, contributing to socio-economic growth.

Tackling territorial disparities and the urban-rural divide

Besides ensuring **financial investments**, support should also **foster and leverage local capacities** and stimulate economic activity beyond urban centres, **promoting a more balanced and inclusive regional development** and reducing the current high polarisation between capital regions and large metropolitan centres and other regions (European Commission, 2024a).

Metropolitan/urban regions (such as the WCR) should be supported, being significant hubs of economic growth and facing unique congestion and social challenges, such as, for example, housing shortages and high costs, urban mobility issues and strain on social services due to high population density. Addressing these needs involves the implementation of coordinated **territorial development strategies** at national and regional level, empowering the governance structures of metropolitan areas among the CP actors and ensuring more **polycentric spatial development**, including smaller cities, towns and rural/peripheral areas.

Stronger **interregional cooperation within and across borders**, by enhancing socio-economic linkages and collaboration between regions within countries and cross-borders, would support knowledge sharing, cross-border investment and the spreading of the benefits related to the dissemination of technological innovations and institutional learning, particularly among remote and vulnerable regions. Interregional cooperation would also support a more balanced territorial development through, for example, macro-regional strategies and the delivery of common public goods across borders (European Commission, 2024a).

A greater attention to territorial disparities should underpin all national and European policies. As underlined in the 9th Cohesion report (European Commission, 2024a), territorial considerations should be integrated into the EU Semester process, not only to enhance the effectiveness of CP but also to reinforce the commitment to achieving equitable growth across all EU Member States and regions.

5.1.2. Synergies with other structural policies and reforms and prioritisation

CP alone cannot reverse the situation of less developed areas (Letta et al., 2024); it must therefore **improve synergies** with other European, national and regional structural and sectoral policies within a **common strategic framework**. The stronger links between CP and EU and national reforms, ensured by conditionalities and enabling conditions and the stronger coordination between CP investments and the European Semester are considered an important step in supporting stronger synergies and consistency in EU and national policy making. These links will have to be further strengthened to improve effectiveness. The ways to do it are still under debate. One way could be to integrate the territorial dimension into the design of all national and European policies, as mentioned above (European Commission, 2024a). **Socio-economic and territorial cohesion cannot be achieved if the uneven territorial impact of other (sectoral) policies is not taken into account**. In particular, the different territorial benefits and costs of policies supporting the green and digital transitions must be considered, building synergies with Cohesion Policy. As underlined in the Letta Report (Letta, 2024), regional potentials are largely affected by pre-existing conditions and national policies. In many countries, these policies have often been blind to their territorial impact and have facilitated or not contrasted territorial disparities, with the concentration of economic activity in national capitals and major urban centres and the depopulation and marginalisation of peripheral and rural areas and small cities.

There is consensus on the need for **more territorially tailored strategies** in order to guarantee an effective and inclusive model of regional development, ensuring its sustainability and resilience in a changing global landscape. Furthermore, the **social economy model, on which Europe is founded, should be strengthened** and continue to support socio-economic convergence and equality of opportunities for all EU citizens. It is particularly important to support with targeted education, training, employment and income support measures, groups in vulnerable situations that are at high risk of social exclusion from the green and digital transition, such as women, older people, people with disabilities, persons with low education and skills, migrants and ethnic or religious minorities. To address the challenges generated by the uneven territorial and socio-economic effects of the green and digital transitions, demographic change, competitiveness and future enlargements, 'packages' of synergic measures delivered in an integrated and coordinated way could be more effective than the current siloed approach to policymaking. In addition, territorial considerations should be integrated in the EU Semester to enhance synergies with EU Cohesion Policy and to reinforce the (political) commitment to achieving equitable growth across all EU regions.

Socio-economic development is multifaceted and **Cohesion Policy seeks to tackle numerous dimensions at once**. According to some authors, CP is already tasked with a wide array of goals (Tarschys 2008) and there is a tendency to continue expanding its objectives even further (Bachtler & Mendez 2020). This raises questions about its effectiveness in trying to fulfil a too broad mandate that sometimes prevents the concentration of a critical mass of resources on a few strategic objectives. Achieving broad objectives requires an increase in available resources to produce significant effects. However, new priorities are emerging and budget pressures are increasing. Pressure on resources requires, therefore, a better **identification and reorganisation of programmes' priorities**, explicitly taking into consideration the specific regional challenges and the policies addressing them, focusing more on less developed and stagnant areas. An explicit identification of key challenges and priorities to be addressed by CP at the territorial level may favour more integrated programming and synergies with other policies. The current siloed approach distinguishing between industrial, mobility, environmental, social and employment policies may indeed hamper the integrated approach required to address most socio-economic development challenges that tend to interact and reinforce each other.

5.1.3. Multilevel governance and implementation

Institutional quality at all levels (European, national, regional and local), **including governance and management capacity**, is still perceived as a challenge by EU interviewees. Recent research shows that there is a relationship between the quality of government and implementation performance in relation to absorption capacity, regulatory compliance and also achievement of outcome targets (Mendez & Bachtler, 2024).

The **capacity of institutions and governance systems** are critical for development and improvements in these fields should be regarded equally as important as investments in infrastructure, productive assets, human capital and innovation (European Commission, 2023c).

The experience of CP implementation has pointed out the wide differences in **institutional and administrative capacity** across EU Member States and regions. Less developed countries and regions tend to have more limited administrative resources and institutional capacity and need to be supported through the provision of targeted **professional and technical assistance**.

According to a recent High Level Group Report on the Future of Cohesion Policy, CP has the potential to be a powerful tool for enhancing social investment and well-being. However, it should function also as "the enabler of the conditions for the improvement of the quality of the territorial institutional capital, which should be carefully monitored at the national and supranational levels to tease out the long-term successes of place-based experimentation" (European Commission, 2023c, p.14).

In addition, a stronger **engagement of local stakeholders** who are close to the most problematic targets (territorial areas, companies, individuals, etc.) is crucial to ensure policy outreach and effectiveness. CP should therefore promote and support stronger stakeholders' participation in decision-making and implementation through networking and coordination actions between public institutions and national and local stakeholders, including e.g. civil society organisations, the social partners, the business and credit system, the education and training providers, local communities, etc. These stakeholders could provide key knowledge and resources for effective local development projects and should be involved in the design and implementation of local development strategies.

In this respect, there is currently a debate on CP **shared management approach**. According to the cited HLG report (European Commission, 2024b), **CP should reinforce its shared management approach**, strengthening the **multilevel governance and partnerships principles**, fostering the creation of effective participatory and coordination mechanisms for the engagement of stakeholders at various levels in all the programme phases (planning, implementation, monitoring and evaluation). The regional case studies provide interesting evidence on this issue. For instance, the experience of the Warsaw Capital Region shows that good coordination during the planning and implementation stages allows for mutual reinforcement and increased effectiveness of both national regulatory changes and CP investments.

To improve effectiveness, besides supporting institutional and administrative capacity building, CP should also **adopt a performance-orientated approach** in implementation and financing procedures, rather than the current cost-reporting system, with an increased emphasis on outcomes, as in the case of the RRF and Next Generation Programme. According to this approach, MSs agree on targets and milestones and payments are related to the achievement of every milestone, while the last payment depends on the targets achieved. In addition, new forms of reimbursement of the Union contribution to a programme have been adopted in the 2021-2027 period, with financing not linked to documented costs and reimbursement based on simplified cost, instead of the previous reimbursement based on real costs and corresponding paperwork. This approach is preferable, as it shifts the focus on achieving results and reduces the time-consuming and resource-intensive procedures related to the real cost-reporting system.

Additionally, **simpler procedures** can significantly enhance efficiency by simplifying administrative tasks and reducing the required documentation, making them more user-friendly and facilitating the participation of beneficiaries that are unfamiliar with the current complex regulations (e.g. NGOs, SMEs, municipalities)[64]. **More flexible rules and eligibility criteria** could

[64] To this end, the Commission aims to improve implementation and involve more beneficiaries that are unfamiliar with the current complex regulations by increasing the use of simplified cost options and administrative simplifications by 2026.

also facilitate the implementation of innovative projects, currently hindered by the rigidity of eligibility and accounting rules. EU eligibility rules should also be adapted to take into consideration the specificities of some regions (as in the case of Guyane) and target groups (such as the homeless, the Roma or non-registered migrants, or SMEs).

All the regional cases considered in the study underline that the effectiveness of CP would benefit from **greater flexibility in the allocation of funds** to enable rapid responses to emerging crises (e.g. the COVID-19 pandemic, refugee crises, etc.). Flexibility in fund allocation could provide the necessary agility for crisis management and for addressing unforeseen challenges. Although formal procedures for reallocating funds have been improved in recent years, they are still considered too slow when urgent needs arise. For example, a flexible reserve could be set apart for unforeseen events, accessible at national and/or programme levels.

Strengthened **data collection** and a **more robust evidence-based approach to CP should also be supported,** ensuring the creation of monitoring systems providing for the definition of appropriate indicators and the collection of disaggregated data from the start to ensure a timely monitoring of funded operations and of their outputs and outcomes. Eurostat and national statistical offices need to produce better comparable and updated regional and sub-regional statistics that can be regularly used to produce indicators related to policy priorities able to measure subnational trends more regularly, at least at the EU NUTS 2 and national NUTS 3 level (Medeiros, 2022). Some of these indicators are already produced or have been proposed but need to be updated more continuously and disaggregated at the territorial level. These indicators could also contribute to reviving the political interest on territorial policies and support the identification of the policy domains needing more CP funding in each country and region.

5.1.4. Financial resources

As one of the major elements of the EU budget, CP is a focal point in discussions surrounding the next MFF. With the mid-term assessment of the current budget period (2021-2027) underway (EU Council 2024), preparations for the upcoming cycle are already in progress to gain momentum in 2025 and beyond. The composition of the budget might change to accommodate new priorities that are coming to the forefront, such as defence, external relations, neighbourhood policy and enlargement. In addition, it is also probable that EU funding will be diverted from the actual CP budget and directed to other budget lines.

Within this framework, CP becomes even more relevant than in the past as the main redistributive mechanism across EU Member States and regions, defining specific priorities related to the challenges ahead, as underlined in the Political Guidelines for the Next European Commission 2024-2029 by EC President Ursula von der Leyen (von der Leyen, 2024).

Providing flexibility and the possibility to choose the most suitable implementation mechanisms to address different territorial and socio-economic needs becomes, therefore, crucial. Place-based integrated approaches are fundamental to tackling socio-economic territorial challenges, while traditional sectoral approaches may be important to ensure the integration of Cohesion interventions with national services and target specific groups. Place-based integrated approaches and traditional sectoral approaches should coexist.

Flexibility in fund allocation could also provide the necessary agility for crisis management and for addressing unforeseen challenges.

5.2. Policy implications and the role of EU institutions

5.2.1. Main Policy implications

The analysis conducted in the study and the current debate on the future of Cohesion Policy underline the key role of Cohesion Policy in supporting not only territorial socio-economic cohesion in the EU but also in creating a sense of belonging among EU citizens in a context increasingly affected by growing nationalisms. As well defined in the 2024 High Level Group report on the Future of Cohesion Policy, Cohesion Policy is the 'glue that binds all Europeans together' (European Commission, 2024b p. 5).

The debate over the future of CP presented in the previous section, evaluation studies and interviews with EU and local stakeholders in the regional case studies provide important policy implications to improve the effectiveness of Cohesion Policy in tackling socio-economic, digital and demographic challenges. These are summarised below.

The first policy implication is that the new and persisting challenges discussed above require a **strategic adaptation** of Cohesion Policy to improve its role and effectiveness in supporting socio-economic and territorial growth and socio-economic cohesion. This implies the need to:

- **Reorganise priorities** in the programmes, explicitly taking into consideration specific regional challenges, focusing on less-developed and stagnant regions as well as rural and peripheral regions. An explicit identification of the priorities linked to each challenge (green and digital transitions, competitiveness, employment and social inclusion, etc.) could support more integrated programming.
- **Continue to support reforms and improve coordination and synergies between structural reforms and CP project-based interventions within broad integrated development frameworks**: To this end, the ex-ante conditionalities and enabling factors introduced in the 2014-2020 and 2021-27 programming period have been important steps to be further enhanced, for example, by incorporating discussions on national reforms into the programming and approval process of CP Operational Programmes and promoting integrated policy packages tailored to local context-conditions and needs.
- **Strengthen policy and project cooperation across regional and national borders**: Enhancing socio-economic linkages and collaboration between regions within countries and cross-borders would support knowledge sharing, cross-border investment and the spreading of the benefits related to the dissemination of technological innovations and institutional learning, particularly among remote and vulnerable regions.
- **Improve the capacity to rapidly individuate emerging challenges and to provide a balanced answer**: New phenomena, such as the working poor or people, business and territories penalised by climate change and the widening of existing inequalities, along with the integration of immigrants, require a rapid assessment and mobilisation capacity as well as programme flexibility. The COVID-19 experience demonstrated the high capacity of CP to rapidly address emergencies; this capacity must be preserved and refined through constant monitoring of the socio-economic context and trends, based on improved data collection and analytical tools.

The indications emerging from the study to improve CP **implementation** can be summarised in the following:

- **Improve multilevel governance and partnerships** throughout all phases of the policy cycle (design, implementation, monitoring and evaluation). Strengthening multilevel governance implies the clear definition of responsibilities at different government levels as well as effective coordination and communication channels between governance bodies and stakeholders at all levels and the definition of joint decision-making and conflict resolution mechanisms (European Commission, 2024b). In order to achieve stakeholders' engagement, it is essential to encourage the use of participatory approaches and engage stakeholders through platforms such as public consultations, local working groups and implementing partnership code of conducts.

- **Adopt a performance-based approach in implementation and financing**: The increasing pressure on resources makes the adoption of a performance-based approach even more important than in the past. This implies the definition of an implementation and financing system based on pre-defined milestones and targets as well as the adoption of simplified procedures, making them more user-friendly with reduced paperwork.
- **Ensure greater flexibility in implementation mechanisms**: With the possibility to choose the most suitable methods, processes, tools or strategies to implement a plan, policy, programme or project, according to different territorial and socio-economic contexts and needs.
- **Strengthen institutional and administrative capacity** at national and regional/local levels with reinforced capacity-building measures addressing the entire CP institutional and administrative system and actors, including national, regional/local government institutions, Managing Authorities and Intermediate Bodies, beneficiaries and policy stakeholders. The provision of technical assistance and support, especially for regions with weak institutional and administrative capacity is necessary. Sharing good practices among regions could also support capacity building.
- **Strengthen monitoring and evaluation systems**: Monitoring and evaluation systems should be supported with the definition of appropriate indicators and the collection of disaggregated and detailed data from the start.

5.2.2. The role of the European institutions

As underlined by some EU interviewees, until now regions and MSs had a relative freedom in setting out their own strategies. However, the COVID-19 pandemic underlined the need for a **more stringent EU framework and a stronger role for EU institutions**. The RRF has as strategic reference framework in the EU Semester with the CSRs proposed by the Commission and adopted in Council. In order to access EU financial resources, MSs must implement EU recommendations and reforms. This approach allows the EU to become a bigger political player in the domestic field, particularly in countries where the funding is significant. The EU is becoming more active in setting the framework conditions for growth, requiring and ensuring both a better administrative capacity in those countries and regions where it is weak (e.g. in Southern Italy) as well as the implementation of targeted polices in those countries where the administration capacity is good but implementation of targeted policies is scarce (e.g. in Hungary).

According to EU interviewees, Cohesion Policy in the future might face several challenges in light of possible reductions in available resources, due to other emerging priorities. To address these challenges, there is a need to strengthen the main changes that have occurred since the 2014-2020 programming period. These changes include a stronger connection to reforms, the adoption of a strategic framework (i.e. the Semester recommendations), a stronger emphasis on administrative capacity and better targeting on priorities when there are few resources and greater simplification. In addition, the new Commission will need to reallocate or prioritise funds within and outside Cohesion Policy to address emerging risks (e.g. armed conflicts, health risks, environment risks, etc.).

Within this context, the **EU Parliament** should continue to actively contribute to enhancing the economic, social and territorial cohesion of the EU. The EU Parliament has played a significant role in negotiating the reform of Cohesion Policy for the 2021-2027 period.

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The study investigates how Cohesion Policy responds to emerging and existing demographic and socio-economic challenges. Following an overview of the main socio-economic challenges, it provides an assessment of Cohesion Policy strengths and weaknesses in tackling these challenges in the 2014-2020 and 2021-2027 periods. It then considers the policy implications for future Cohesion Policy and the role of the European Parliament. The study is based on a review of the relevant literature and data, stakeholders' interviews and five regional case studies.

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