



TOWARDS A GREEN & DIGITAL TRANSITION: THE NEW COHESION POLICY STRATEGIES AND REFORM DEBATE

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**Seminar on challenges and trends in regional policy & the future of the EU Cohesion policy
Ministry of Development Funds and Regional Policy, Warsaw 30th January 2023**





RECOVERY AND REFORM

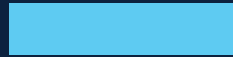


EoRPA Report 22/2 to the 43rd annual meeting of the EoRPA Regional Policy Research Consortium, October 2022

- Programming in a difficult context
- New EU instruments & Cohesion Policy
- How well is Cohesion policy working?
- Issues for the post-2027 reform debate
- Discussion



PROGRAMMING IN A DIFFICULT CONTEXT





CHALLENGES OF THE GLOBAL CONTEXT



COVID



UA conflict → energy & refugee crisis, inflation, supply chains disruptions



Economic uncertainty



Contract modifications & project extensions



Implementation delays



Risks for timely closure



'Relaxation' of project ambitions / objectives





2014-20 PROGRAMMES: MOVING TO CLOSURE

Financial progress consistent and on track



Many programmes in over-**commitment**

EU average - **116%**



Steady increase in **spending** rates

EU average - **78%**

... Although with variations among programmes and priorities



SME competitiveness (87% spent) , Sustainable & Quality Employment (73%)



Environment protection (54%), Climate change adaptation (60%), Low-carbon (62%)

Focus on speeding up spending & executing remaining resources



REACT-EU: PROGRESS

Programming REACT-EU resources



Funding under 1st tranche committed in most OPs, but limited funds committed under 2nd tranche



Continuity in focus (business support, health, green transition, labour market & skills) but more focus on green priorities and support for UA refugees

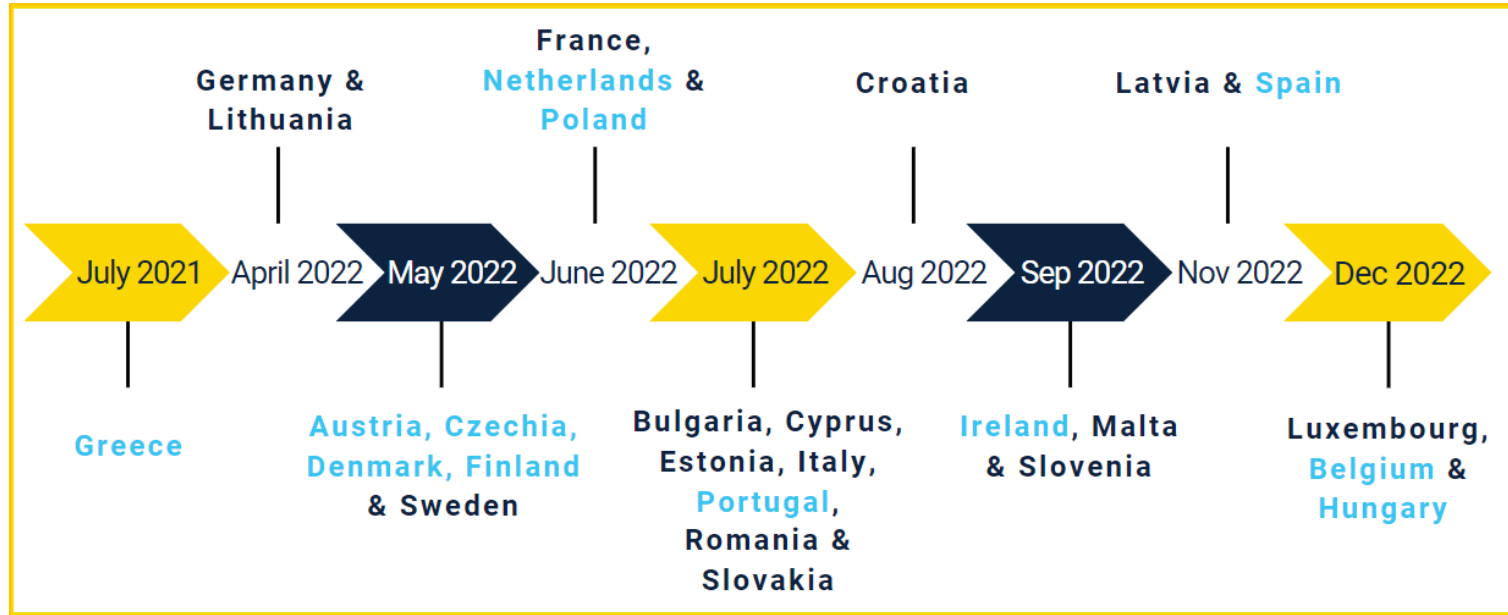


Important extra funding and useful bridge but challenges of absorption in tight timeframe



2021-27 PA AND PROGRAMME PROGRESS

Timeline of approved Partnership Agreements



- All 27 PAs and most programmes approved



KEY PROGRAMMING ISSUES



Negotiating **JTF coverage** (AT, BG, DK, DE, FI, GR, NL, SE) and content (e.g. DE, FI)



Continuity in priorities with limited **thematic shifts** from 2014-20, but strong focus on PO1 / PO2



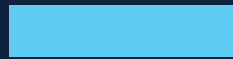
Continuity in **OP architecture** – with some changes to number of OPs (e.g. CY, ES, GR, FR) or OP geography (IE, PL)



Changes to **Urban Development strategies** – spatial coverage, governance and funding arrangements – in some countries (AT, FI, PL, PT)



THE CHALLENGE OF COMPLEMENTARITY: THE RRF & CP



COHESION POLICY AND RRF

Both investment tools but different objectives & implementation systems

	Cohesion Policy	Recovery and Resilience Facility
Objectives	Economic, social, territorial cohesion	Mitigating pandemic, make economies & societies sustainable, resilient, prepared for green and digital transitions
Budget	ERDF €200bn, CF €42.5 bn, ESF+ €88 bn	€672.5bn
Financing	Regular payments across the period. Disbursement largely based on real costs incurred	One-off payment (advance 13%). Payment based on estimated costs agreed in advance, disbursement once results & targets achieved
Aid intensity	Projects partially covered by EU co-financing	Projects are funded 100% by EU
Spatial targeting	COM allocates to MS based on regional/national criteria; LDR focus	Allocation at MS level based on population, GDP pc and unemployment rate
Thematic targeting	Focus on Policy Objectives; ring-fencing	Climate, reforms and digital but no thematic targeting
Forms of support	Grants, loans, guarantees	Mix of reforms, grants and loans
Management	Shared	Direct
Time-frame	Multi-annual (2021-2027)	Emergency response to COVID (2021-26).



RRF AND COHESION

NRRPs can provide a **substantial boost to investment and reforms** contributing to recovery and longer term growth

Less clear are the **implications for cohesion**

- many NRRPs do not have cohesion as an explicit goal
 - Ferreira: most *“do not sufficiently factor in regional differences..[or].. a place-based strategy”*²
 - Koopman: *“RRF is a reform & investment-oriented instrument..predominantly at national level”*³
- RRF prioritised over the programming of PAs/programmes
- Cohesion Policy administrative capacities under strain
- regulatory and cultural gap between RRF and Cohesion Policy - governance, performance framework, and financial management



OPPORTUNITIES OR RISKS?



Expanding range of EU instruments

Opportunities for CP?

→ lessons for simplification, speedy adoption, outcome focus, co-financing and state aid

or

Risks to CP?

→ conflicts, tensions, weakening of CP distinctiveness

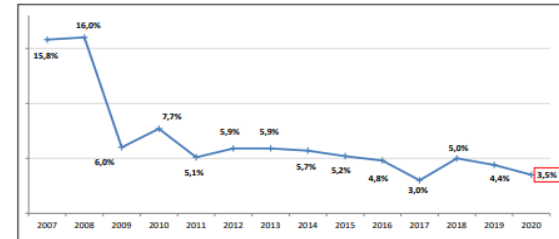
RRF IMPLICATIONS FOR COHESION POLICY

Recovery & Resilience Fund

- no evidence yet on the effectiveness, efficiency and accountability of the RRF
- NRRPs are “likely to contribute to all six pillars and thereby the policy areas...but the extent varies and the impact remains to be seen in practice” (ECA, 21/2022) ⁶
- concerns about milestones & targets, detection of fraud & double-funding, compliance with DNSH principle (ECA)

Cohesion Policy

- ‘administrative burden’ reflects previous problems → drove reduction in error rate



- most errors not fraudulent but 90% of fraudulent expenditure lies in CP
- good performance ≠ compliance with rules, and there can be trade-offs

However “the move to more performance-based funding models will require a fresh look at the traditional error rate debate, the way we draw audit conclusions and the basis on which decisions are taken”

(Zippel, ECA, Jan 2022) ⁷



HOW WELL IS COHESION POLICY WORKING?

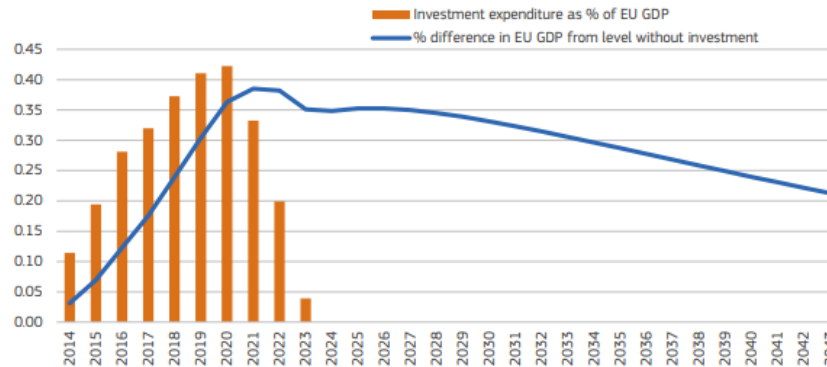




COHESION POLICY IS EFFECTIVE....

- Most research on long-term effectiveness (models, regressions, micro-economic, qualitative) concludes that Cohesion Policy has achieved positive results¹
 - exceptions are some econometric regression analyses
 - considerable variation in the extent and type of the policy's results

Figure 9.6 Impact of cohesion policy investment, 2014-2020, on EU GDP, 2014-2043



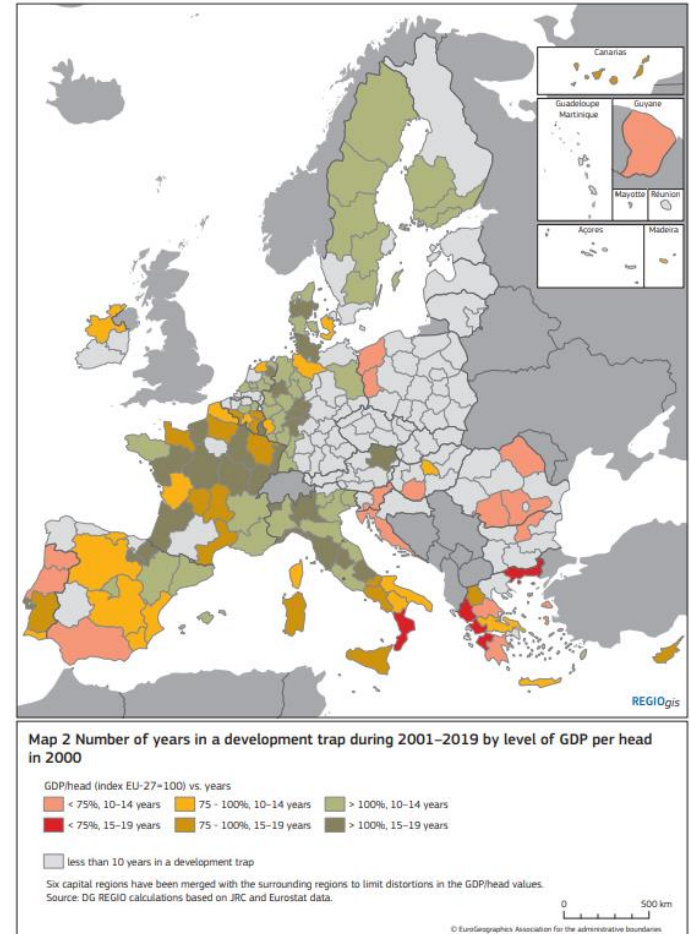
Source: RHOMOLO.

- Played an important role during the crises (2008-20110 financial & economic crises, pandemic) – sustaining investment and labour markets esp. employment impacts



.... BUT IMPORTANT CAVEATS

- increasing **internal disparities within countries** – growing divergence and regional differences (development traps)²
- also **differences in effectiveness** of Cohesion Policy within countries – better in stronger regions (the policy ‘achieves less where it is most needed’)
- major concern is **differential regional impact of Green Deal**
- implies need to re-focus more on **regional convergence within Member States**





.... AND GOVERNANCE IS CRITICAL.....

- Funding is an important pre-condition but depends on quality of government and administrative capacity³
 - **macro-institutional** conditions matter (more than local conditions?)
 - **government quality is a key determinant** of all dimensions of administrative performance - absorption, regularity, outcomes
 - critical stage is **quality of strategies** – the analytical basis and rationale for allocating resources (sometimes weakly grounded, too diffuse or imitative)
 - also, ability to provide **support for beneficiaries** – before & during delivery
 - related to **size/resources of government** at regional and local levels (including municipalities) and **leadership**
 - key question is whether 2014-20 reforms and investment in administrative capacity building (TA) have been effective



CONDITIONALITIES NOT (ALWAYS) THE ANSWER

- challenges for national and regional authorities in EU use of conditionalities (classic principal-agent problems)
- limits responsiveness to (perceived) local needs and opportunities
- may not achieve the desired results e.g. performance framework is additional administrative requirement but does not necessarily translate into more effective spending
- potential trade-offs between conditionalities
- need to look closely at rationales for conditionalities vs effectiveness



QUESTIONS FOR POST-2027 REFORMS





INDICATIVE TIMETABLE FOR NEXT REFORM

- 2022: 8th Cohesion Report, issues for the reform debate
- 2022: Launch and implementation of 2021-27 ESIF programmes
- 2023: First assessment of CP and RRF spending in 2021-27
Final year of spending of 2014-20 programmes
- end-2024: 9th Cohesion Report, presenting COM reform options
- early 2025: Impact assessments of reform options
- early 2025: Mid-term review of 2021-27 Cohesion Policy programmes
- mid-2025: Draft MFF and ESIF regulations tabled by the COM
- 2026: Final year of spending of RRF
- mid-2027: Adoption of MFF and ESIF regulations by Council and EP
- 2028: Start of new programme period



8CR: ISSUES FOR THE REFORM DEBATE

Addressing new drivers of disparities

- Ensuring a fair transition
- Strengthening resilience and responsiveness to asymmetric shocks
- Helping regions to respond to demographic change
- Addressing pressure on democracy and its values

Strengthening the role of regions in building Europe's future

- Creating new economic perspectives for less developed and peripheral regions
- Embedding innovation in all regions
- Strengthening cross-border and interregional cooperation
- Strengthening urban-rural links and the role of smaller cities and towns in supporting rural areas
- Addressing the needs of left behind places

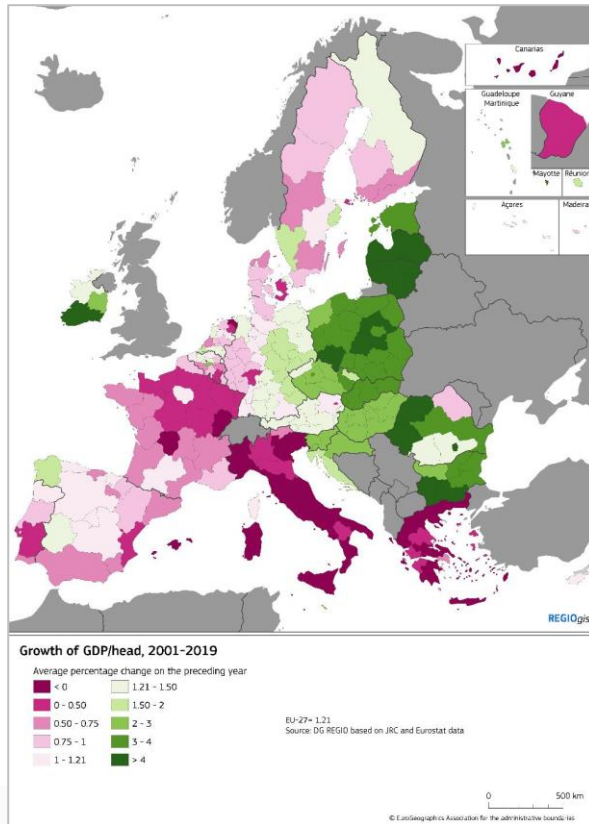
Developing the tools to deliver cohesion towards 2050

- Increasing the effectiveness of place-based policies
- Further streamlining the delivery of CP for beneficiaries
- Strengthening the role of CP in unlocking investment in the green, digital and demographic transitions
- Increasing investments in people throughout their life
- Enhancing complementarities within other EU policies (notably Recovery and Resilience Facility resources)



WHAT IS COHESION POLICY FOR?

Long-term cohesion challenges *versus* Short-term response to shocks?



- greater flexibility for programmes?
- separate MFF budget line for crises?

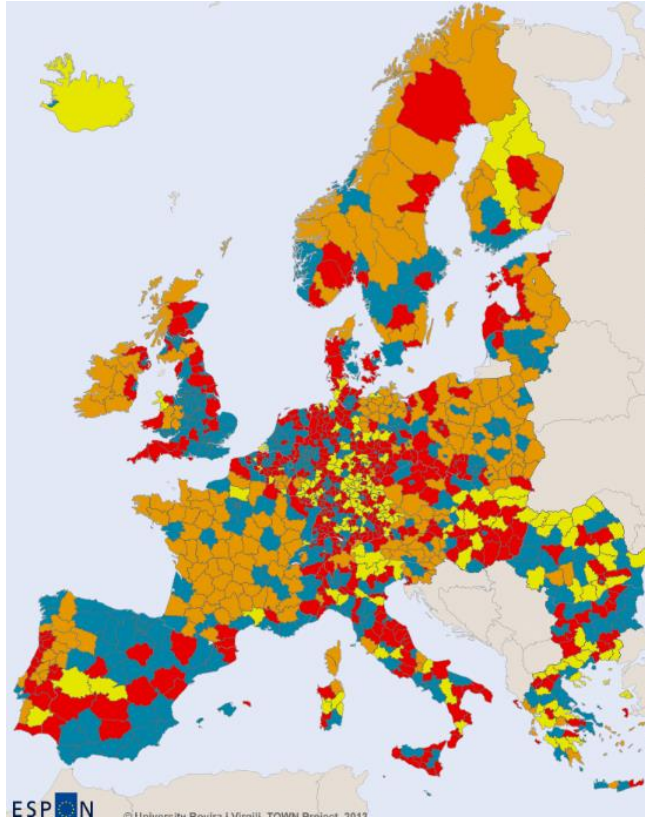


HOW TO ACHIEVE A STRONGER TERRITORIAL APPROACH ACROSS EU & NATIONAL POLICIES?

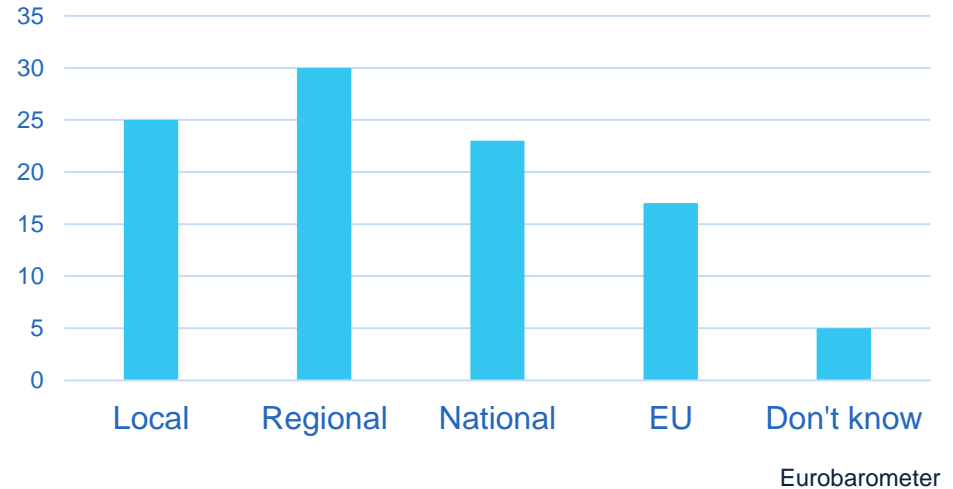




A MORE PLACE-BASED POLICY (GREATER REGIONALISATION AND LOCALISATION)?



At which level should decisions on regional policy projects be taken?





DOES COHESION POLICY HAVE THE TOOLS TO IMPROVE QUALITY OF GOVERNANCE?





DISCUSSION

- What is the **scope and scale of change** in the use of Cohesion Policy in 2021-27 compared to 2014-20?
- How should the EU balance the role of Cohesion Policy in responding to **crises vs focusing on longer term** strategic objectives?
- How could the **effectiveness of Cohesion Policy be improved through reforms** in the post-2027 period (e.g. objectives, delivery, synergies)?



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