EUROPEAN
COMMISSION

Brussels, 28.4.2023
SWD(2023) 134 final

PART 1/2

COMMISSION STAFF WORKING DOCUMENT

Cohesion 2021-2027: forging an ever stronger Union
Report on the outcome of 2021-2027 cohesion policy programming

Table of Contents

Cohesion 2021-2027: forging an ever stronger Union

Report on the outcome of 2021-2027 cohesion policy programming

Commission Staff Working Document

1. Introduction

The European Commission's objective is clear: the European Union must lead the transition to a healthy planet and a new digital world. This must be done by bringing people together and upgrading our unique social market economy model to match today's new ambitions. Cohesion policy will make a central contribution across all European regions through its territorial approach and a stronger **focus on the green and digital transitions**.

These transitions are at the centre of significant structural changes that, while providing immense benefits and opportunities, risk aggravating existing disparities or creating new ones. Adverse demographic trends and increasing skills shortages add to the complexity of this picture. Cohesion policy will deploy the capacity it has demonstrated over the past decades to help regions adjust to change and support them in promoting economic, social and territorial convergence. Stronger regions also enhance EU's resilience to external shocks.

EU regions entered the new decade with very different capabilities and levels of development[1]. When preparing the 2021-2027 programmes, Member States and the Commission worked closely together to identify the causes of these disparities, the challenges ahead, and to programme investments to address them.

This staff working document presents the main results of the negotiations on the 2021-2027 programmes, financed through four of the Common Provisions Regulation Funds[2], involving the Member States' authorities and, in accordance with the **partnership principle**, regional, local and urban actors, economic and social partners and civil society, as well as the European Commission. The added value of the policy will be analysed in view of the background defined in the Treaty on the Functioning of the European Union TFEU, of promoting a harmonious development, the strategic ambitions of this Commission with particular emphasis on the European Green Deal; the overall socio-economic environment set out by the 2023 Annual Sustainable Growth Survey and the cohesion context described in the Eighth Cohesion Report.

In the 2014-2020 programming period, cohesion policy funding amounted to almost 14% of total government investment in the EU as a whole and to 52% [3] in the cohesion countries[4]. The policy will continue to play a crucial role in the future - it **will implement a third of the European Union's long-term budget under the 2021-2027 multiannual financial framework.** The **EUR 378 billion of EU support** [5] is expected to result in EUR 545 billion worth of investment when national (public and private) co-financing is included. The less

[1] See the map 1 below.

[2] The European Regional Development Fund (ERDF), the European Social Fund Plus (ESF+), the Cohesion Fund (CF), the Just Transition Fund (JTF).

[3] See Annex 3 and the Eight Report on Economic, Social and Territorial Cohesion, Figure 1.

[4] Member States whose gross national income (GNI) per capita, measured in purchasing power standards PPS and calculated on the basis of EU figures for 2015-2017, is less than 90 % of the average GNI per capita for the EU as a whole: Bulgaria, Czechia, Estonia, Greece, Croatia, Cyprus, Latvia, Lithuania, Hungary, Malta, Poland, Portugal, Romania, Slovenia and Slovakia.

[5] See 2021-2027: Cohesion policy EU budget Allocations | Data | European Structural and Investment Funds (europa.eu) and Figure 1.

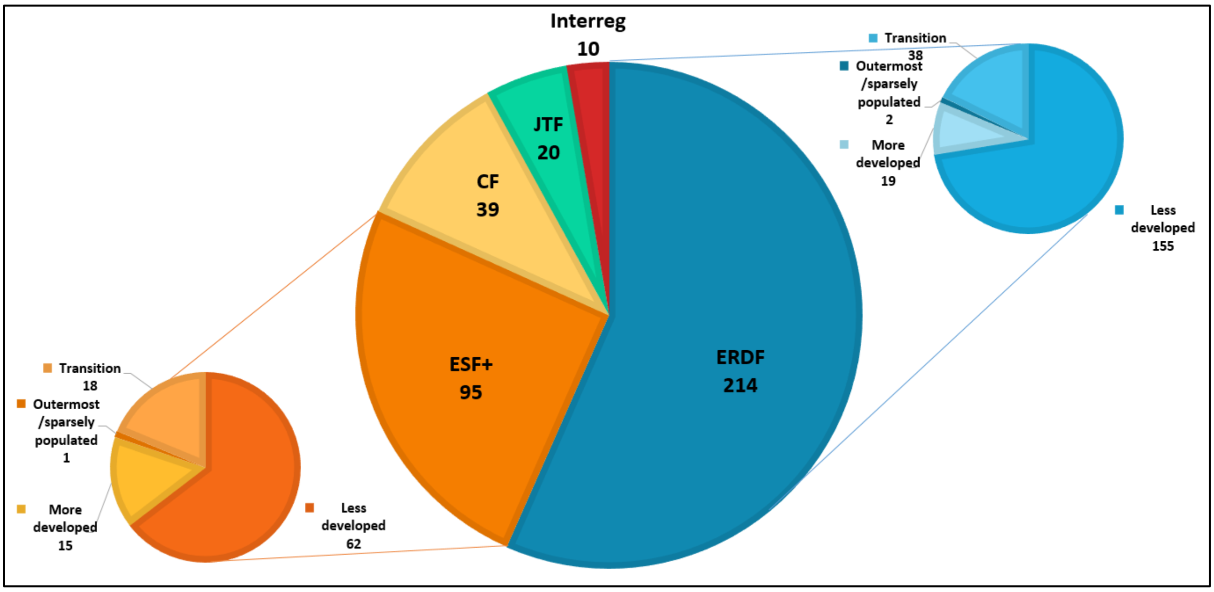
developed regions will be the main beneficiaries – 70% of both the European Regional Development Fund (ERDF) and the European Social Fund Plus (ESF+) will be allocated to them. In addition, the Cohesion Fund (CF) will support 15 cohesion countries in the fields of the environment and trans-European networks.

These funds will be invested in jobs and growth and European territorial cooperation (the two goals of the policy), under five policy objectives that **aim to create a more competitive, smarter, greener, more connected, and more social and inclusive Europe closer to citizens,** as well as towards a specific objective of addressing the impact of the **transition towards climate neutrality** through the Just Transition Fund (JTF).

Cohesion policy will strive to **leave no one behind**, in line with the European Pillar of Social Rights. It will help the EU and its Member States in achieving the three 2030 headline targets agreed in the 2022 Porto Summit[6]: increasing quality employment to 78%; encouraging the participation of at least 60% of adults in training every year, and reducing poverty levels by 15 million people, including at least 5 million children.

In addition, acute **demographic transformations** are taking place in our societies and our economies, leading to a shrinking working age population. If left unaddressed, these will trigger new and growing territorial disparities as regions age and fall behind in number and skills of their workforce. The cohesion policy will provide targeted assistance including addressing inefficiencies in the labour market, education, training and adult learning systems, improving innovation and public governance performances, the business environment and increasing the level of and access to services[7].

Figure 1: Investment volumes by fund and category of regions in billion EUR



379 new cohesion policy programmes will help the EU's regions achieve these objectives. The programming took place in a volatile environment and the negotiations were delayed mainly by the COVID-19 crisis and the war in Ukraine. An additional factor for the delay was the negotiations of new counter-cyclical emergency instruments under the NextGenerationEU recovery plan, in particular the Recovery and Resilience Facility (RRF) and REACT-EU[8], which were programmed by the Member States as a priority given the shorter timelines for

[6] https://www.2021portugal.eu/en/porto-social-summit/porto-social-commitment
[7] See Harnessing talent in Europe's regions communication.
[8] Recovery assistance for cohesion and the territories of Europe: REACT-EU Open Data page

implementation. Programming all these funds required strong coordination and the identification of complementarities and synergies between policies and instruments.

Cohesion policy proved to be very flexible, quickly adjustable and operational over the past 3 years[9]. This allowed the provision of very significant support to Member States, helping them face and react to the successive crises. Now it is time for cohesion policy to re-focus on its core, long-term mission. In order to improve the quality of life for all, it will **boost sustainable growth and development to reduce disparities between the European regions, by supporting business competitiveness, skilling and re-skilling, creating quality jobs**, **increasing youth employment, and aiding vulnerable groups**. It will at the same time continue to adapt to socio-economic changes, to tackle the outcomes of the energy crisis and price increases, and to help address the needs of the significant number of war refugees, as well as to enhance the competitiveness of Europe's industry and support the fast transition to climate neutrality. By ensuring the **involvement and engagement of different partners and stakeholders**, the implementation of investments and reforms on the ground can effectively and efficiently target the key challenges.

The impact of cohesion policy and its spill-over effects on the EU's economies and regions is expected to be very significant. It is forecast that it will **increase the EU's GDP by 0.5%** by the end of the implementation period and that it will continue to have a long-lasting impact until 2050. **1.3 million additional jobs** are expected to be supported by 2027, based on macroeconomic modelling. **In line with its mandate to reduce regional disparities, cohesion policy produces most of its impact in the less developed regions of the EU**, but these benefits will accrue to all EU regions including the most developed ones.

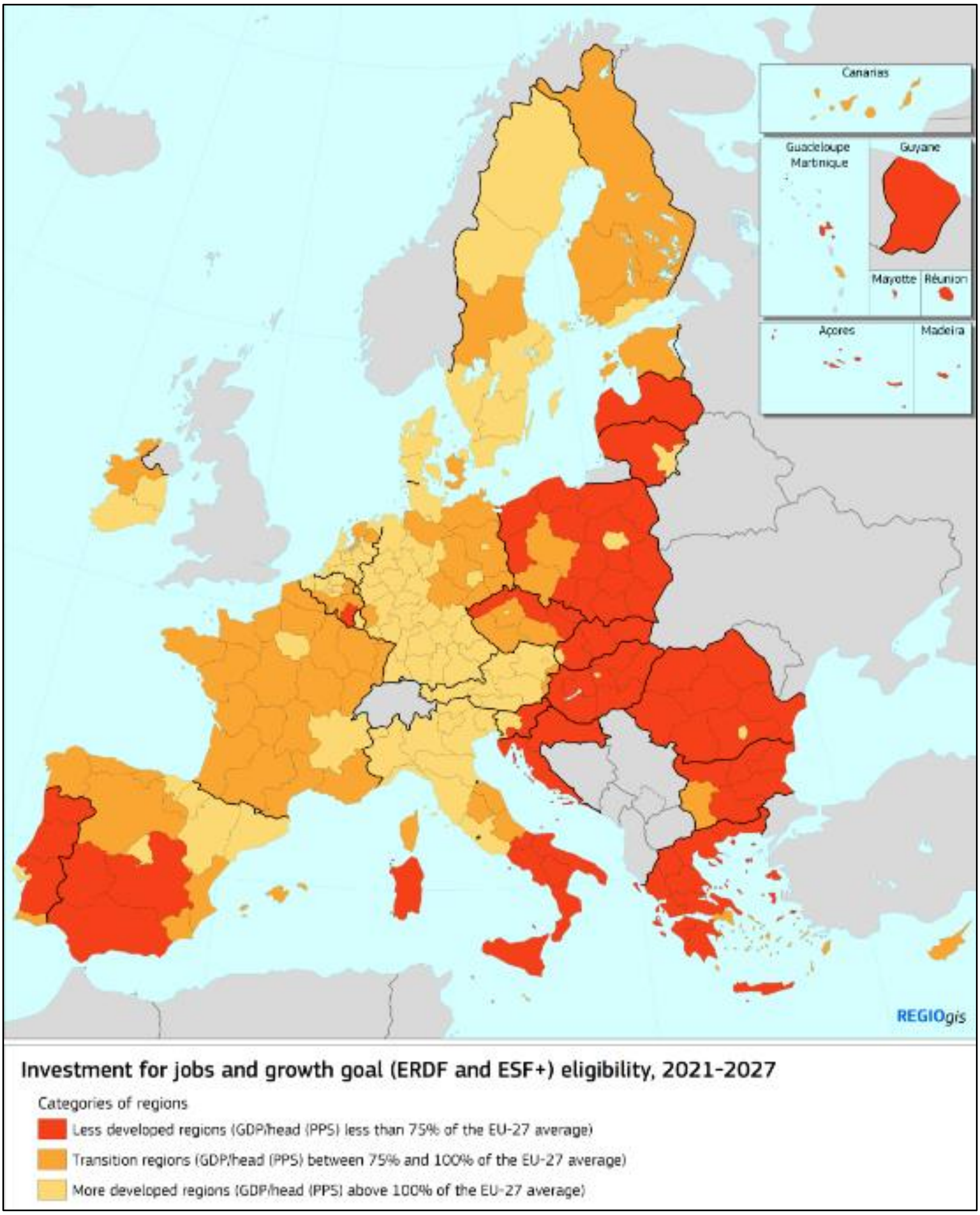
Key legislative reforms have strengthened the link to policy priorities in the Member States with notably a clear reference to the European Semester's Country Specific Recommendations. They have also improved cohesion policy's **performance orientation**. More focused objectives - with a clearer intervention logic, more comprehensive common indicators that will allow better aggregation of data at EU level, and strengthened monitoring – will enable the Commission to present the achievements of the policy in a transparent way [10]. These achievements will include supporting almost 850 000 enterprises, at least 6.5 million unemployed people and 723 000 dwellings with improved energy performance, as well as bringing a clean water supply to 16.4 million people.

---

[9] The Common Provisions Regulation governing the funding rules of cohesion policy has been modified seven times since March 2020 due to the COVID-19 pandemic and Russia's invasion of Ukraine. The EU responded with record-breaking speed by providing additional liquidity to Member State's national budgets, flexibility to re-direct funding to cover most urgent needs and simplification to accelerate administrative procedures.

[10] For further information on the achievements and planned amounts under the 2021-2027 cohesion policy, please visit the Cohesion Open Data Platform. Information at programme level can be found here.

Map 1 – Categories of regions in the EU [11]



2. Expected macro impact of the 2021-2027 cohesion policy

Cohesion policy has a significant impact on the EU's economy. For the 2021-2027 period, cohesion policy expenditure corresponds to an annual average of around 0.2% of the EU's

[11] Source: Investment for jobs and growth goal (ERDF and ESF) eligibility, 2021-2027 - Datasets - RegioGIS (europa.eu)

GDP, with substantial national differences. As per the Multiannual Financial Framework decision, funding is concentrated on the EU's less developed regions and Member States. As a result, **aid intensity is much higher in the less developed regions** (those with a GDP per head less than 75% of the EU average), with around EUR 207 being allocated per inhabitant and per year on average. The figure for the more developed regions (those with a GDP per head above 100% of the EU average) is EUR 21 (see Table 2 in Annex 5).

This concentration implies that cohesion policy funding provides a sizeable financial booster for certain regions and Member States (up to 1.8% of GDP in Bulgaria and up to 3.5% of GDP in Greece's Voreio Aigaio region and Bulgaria's Severozapaden region (see Table 3 in Annex 5)).

The RHOMOLO model has been used to assess the expected impact of the 2021-2027 programmes on the EU's economies at the EU, Member State and NUTS-2 region levels. This kind of model is well-suited to capturing the policy's direct and indirect effects [12] including the costs linked to its financing, and hence its net short and long term impact. The details of this analysis can be found in Annex 5.

The model simulations suggest that **the policy interventions would increase the EU's GDP by 0.5% by the end of the implementation period in 2029** (versus a no-cohesion policy scenario). Their structural effect on the target economies means that their impact will continue long after the programmes have been terminated, with **GDP remaining at 0.3% above its initial level in 2050**. 25 years after the beginning of the programming period, **each euro spent on the policy will have generated EUR 2.8 of additional GDP in the EU**, which corresponds to an annual rate of return of around 3.4%. The policy will also boost the labour market, with **an increase in employment of 0.64% in 2027, which corresponds to about 1.3 million additional jobs**.

The impact will be particularly strong for the main beneficiaries of the policy. By 2029, GDP is expected to be 4% higher in Croatia and 3% higher in Bulgaria, Portugal and Romania. At the regional level, the impact of the policy will peak at almost +7% in Portugal's Região Autónoma dos Açores and +6% in Greece's North Aegean region (see Map 1 in Annex 5).

In the medium to long run, the policy will have a positive impact in all regions (see Map 2 in Annex 5), including in the more developed regions, which will benefit from the strong positive spill-overs generated by programmes that are implemented in the other regions and their own cohesion policy programmes.

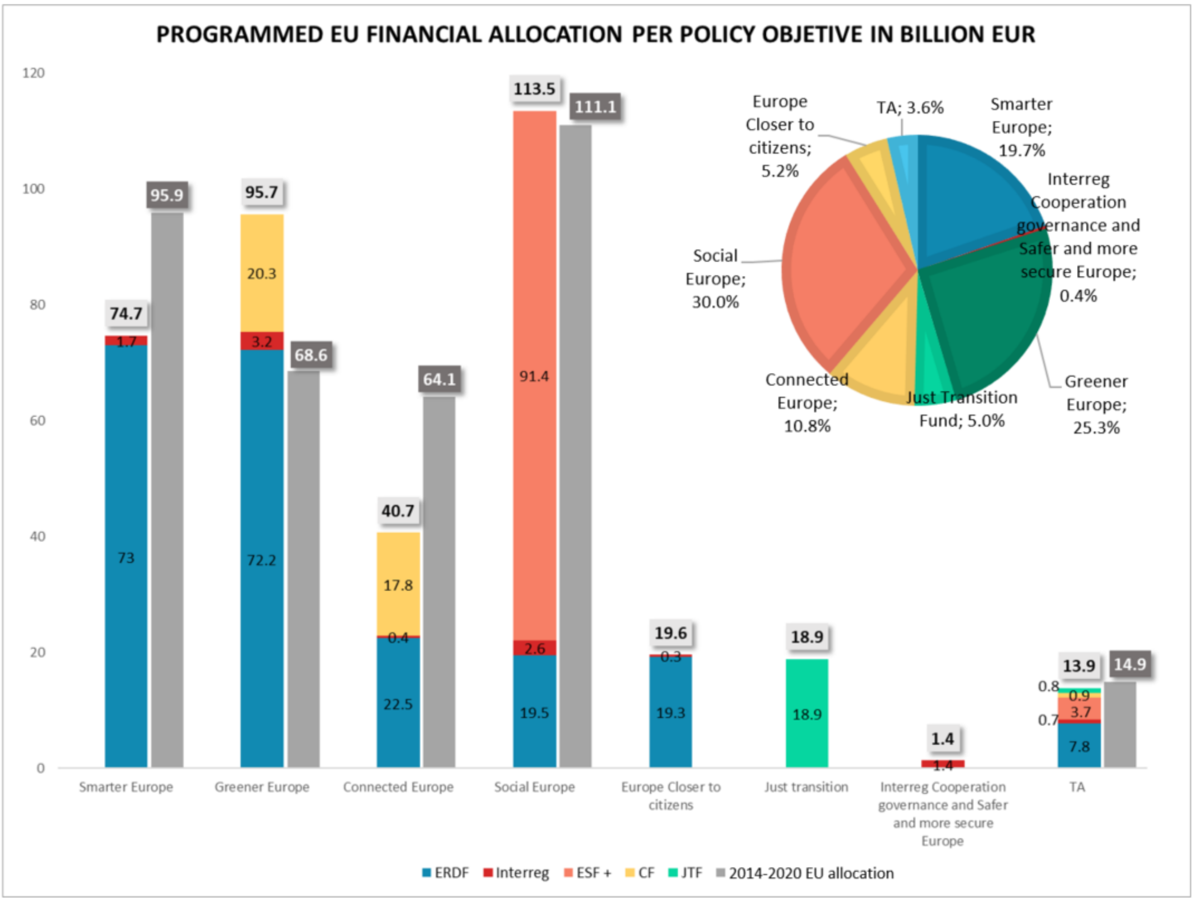
Cohesion policy therefore plays a key role in promoting overall development and reducing regional disparities in the EU. By the end of the implementation period, **the impact on GDP in the group of less developed regions is projected to be +2.6% (compared with +0.4% and +0.1% in the transition and more developed regions respectively** (see Figure 3 in Annex 6)). As a result, **the policy will help the less developed regions to catch up with the more developed ones** and close the gap between the 10% most developed and the 10% least developed regions of the EU by up to 3.6%, while also promoting aggregate growth for the EU as a whole and in all regions.

[12] The direct effects are the outcome of the interventions on the beneficiaries (e.g. jobs created in the SMEs that receive support). The indirect effects will arise from the interventions' impact on agents other than the beneficiaries (e.g. jobs created in the firms commissioned to provide an input into the supported SMEs; and spatial spill-overs - i.e. the impact of an intervention outside the region where it is implemented).

3. 2021-2027 cohesion policy and its main objectives[13]

Cohesion policy has been evolving down the decades in response to the changing socio-economic environment and EU's policy priorities, including the ambition of a smart, green and digital Europe. For illustration (see Chapter 9 of the Eighth Cohesion Report), in the 2014-2020 period, more than 30% of EU funding was allocated to the 'social Europe' objective to support employment and inclusion measures, just over 25% was allocated to 'smarter Europe' to support investment in R&D, innovation and competitiveness, and almost 20% was allocated to 'green Europe' and to 'connected Europe'. The priorities in 2021-2027 will have an increased focus on a greener EU and on a just transition (see Figure 2 below).

Figure 2 – programmed EU financial allocations per policy objective in billions of euro in the period 2021-2027 and 2014-2020[14] [15] [16]



[13] The descriptive part under the sections devoted to the individual objectives below excludes Interreg, to which a special section and annex 1 are devoted. Also, technical assistance amounts are not included in these sections.

[14] This includes an EUR 1.2 billion JTF allocation for Bulgaria, which has not yet been programmed; TA stands for technical assistance.

[15] Source for the 2021-2027 data is the 2021-2027 overview on the cohesion open data platform and for 2014-2020, figure 9.2 of the Eight Report on Economic, Social and Territorial Cohesion.

[16] The funding allocated to the 11 thematic objectives for 2014-2020 period is approximately mapped to the five policy objectives for 2021-2027. The 'Europe closer to citizens' objective covers integrated territorial measures included under various 2014-2020 thematic objectives and the related funding involved can be estimated to EUR 31 billion.

A smarter and more competitive Europe

In the 2021-2027 period, cohesion policy will greatly contribute to **fostering research and innovation and addressing the innovation and digital divide** across the EU by providing EUR 73 billion in support. Almost EUR 35 billion of this allocation will be spent on helping to **develop and enhance research and innovation capacities and the uptake of advanced technologies**. Through cohesion policy support, 83 000 researchers will have access to improved facilities and new R&I equipment worth EUR 6 billion will be provided[17]. 725 000 companies will be supported in their efforts for smart growth. Smart specialisation strategies that underpin investments in all Member States will allow for a focus of funding on strengthening innovation. About EUR 1.6 billion of this financing will support investments based on integrated territorial strategies[18], mainly in urban areas.

Support to SMEs remains essential especially in the current context of supply constraints, high energy prices and inflation. Over EUR 23 billion of cohesion policy funds will be spent on helping SMEs to grow and improve their competitiveness. The ERDF has for the first time a dedicated specific objective of **supporting skills for smart specialisation, industrial transition and entrepreneurship** in 65 000 SMEs.

The EU's digital transition creates many opportunities for people, businesses and public authorities. But the digital divide remains a concern as it may impair economic and social cohesion. Modernisation through reform is vital in order to introduce digital services and to improve access to them by **developing digital infrastructure**, particularly in areas where no modern digital infrastructure currently exists, such as rural and remote areas. Cohesion policy plays a key role in tackling social and territorial inequalities by supporting the **modernisation of public services, digital skills and infrastructure, digitisation of public services and the digital transformation of businesses**. Across all policy objectives, EUR 36.6 [19] billion will support the digital transition (in addition to the EUR 16 billion already invested in the digital economy in 2014-2020[20]). More than EUR 11 billion of that amount will be used to improve digital services and digitalise businesses and 22 500 public administrations. In order to enhance digital connectivity, almost EUR 3 billion is allocated to high-speed mobile network and fixed digital infrastructure that will connect 3.1 million dwellings and 356 000 enterprises, based on national or regional broadband plans and an assessment of the investment gap that needs to be addressed to ensure that all EU citizens have access to very high capacity networks. There will be synergies between the Digital Europe and ERDF programmes, aiming to support the digital transformation of businesses and public sector organisations with the Digital Europe programme (DIGITAL) supporting the setup of a network of **European Digital Innovation Hubs (EDIHs)** to cover the whole territory of the EU.

[17] Support for research and innovation is also found in other specific objectives under Smarter Europe (e.g. skills for smart specialisation, digitisation and SMEs) and in other policy objectives such as Greener Europe.

[18] To strengthen the integrated territorial development approach, investments in the form of territorial tools, such as integrated territorial investments, community-led local development, or any other territorial tool, should be based on territorial and local development strategies. To ensure the involvement of relevant authorities or bodies in implementing territorial strategies, those authorities or bodies should be responsible for the selection of operations to be supported, or be involved in that selection.

[19] Under the ERDF and Cohesion Fund EUR 30.3 billion of EU financing is planned linked to the digital transition while under ESF+ EUR 6.3 billion is planned linked to developing digital skills and jobs. Explore the planned investments in the digital transition in this cohesion open data story.

[20] See DG REGIO's Annual Activity Report 2021, p. 20.

<u>A greener, low-carbon transitioning towards a net zero carbon economy and resilient Europe</u>

Cohesion policy will make a substantial contribution to the European Green Deal. Under the Greener Europe policy objective, more than EUR 92 billion will support investments in all regions in energy, climate change adaptation and mitigation, environment and sustainable urban mobility. This investment will also enable the Funds to significantly boost the implementation of the EU's climate and environmental policies that aim to improve the life and prospects of people throughout the EU.

Unprecedented support from cohesion policy is dedicated to the energy transition and the achievement of the EU's mid- and long-term energy and climate goals. This will be in line with the objectives set out in the European Green Deal and the European Climate Law, and with the target of investing at least 30% of the 2021-2027 multiannual financial framework funding in climate mitigation and adaptation. The ERDF and the CF will provide more than EUR 94 billion for climate action [21] (which, with national co-financing, will promote investments of EUR 130 billion). This represents 36% of their allocation and is a major increase on the level of 20% (EUR 56 billion) in the 2014-2020 period. Adding the JTF and ESF+ allocation, a total of more than **EUR 110 billion of cohesion funding will support climate action and the climate transition** (EUR 152 billion of total investments if one includes co-financing by the Member States)[22]. Out of these, EUR 12.4 billion will be invested based on integrated sustainable urban development strategies and EUR 1.3 billion in integrated territorial investment tools in non-urban areas. Sizeable **support will be provided to projects in the fields of energy efficiency, renewable energy, urban transport infrastructure and railway investments** that will directly contribute to **reducing EU emissions in the EU by at least 55% by 2030 compared to 1990 levels and to reaching EU climate neutrality by 2050**.

The foreseen support in energy efficiency, renewable energy and smart energy systems will play a particularly **important role in implementing several key actions under the REPowerEU plan,** looking to accelerate the green transition and diversify our energy supplies in the short term. The contribution from all policy objectives[23] and the JTF to these actions amounts to EUR 47 billion of EU financing or EUR 68 billion with national co-financing. Such investments will provide essential support to tackling the current energy crisis by boosting energy savings (particularly in buildings) and increasing energy security for the future via the further deployment of renewable energy production. Cohesion policy has already contributed EUR 28 billion of similar investment in 2014-2020.

The support to **energy efficiency** amounts to approximately EUR 22.5 billion (including JTF) and includes significant financing in building renovation. This is fully in line with the 'energy efficiency first' principle and will provide much needed support to households and companies to help them cut their energy bills.

Cohesion policy will also help Member States, regions, cities and towns to green their energy supply with a planned allocation of EUR 10 billion [24] to **renewable energy development**, which will be largely focused on solar energy and will thus support the new EU solar strategy adopted in the framework of REPowerEU. EU support of over EUR 5 billion in **smart energy**

---

[21] This is the aggregate amount from all policy objectives, including Interreg. Explore climate action investments in this Cohesion Open Data story.

[22] Not including the mobilisation this allows for the second and third pillars of the Just Transition Mechanism (see section "Towards a just transition" below).

[23] Including Interreg.

[24] This is the aggregate amount from all policy objectives and the JTF.

systems will contribute to building the necessary power infrastructure (grids, storage, etc.) so that it can cope with the increase in renewable energy generation and the overall electrification of the energy system, including e-mobility. As a result, 32 million m^2 of public buildings and 698 000 dwellings will improve their energy performance and 9 555 MW of additional renewable energy capacity will be installed.

Investments dedicated to protect and preserve nature and biodiversity and to tackle all sorts of pollution will be supported with more than EUR 7 billion. ERDF/CF support will allow 3.8 million hectares of Natura 2000 sites (3.7% of the total area covered by Natura 2000 sites) to benefit from protection and restoration measures. Other investments also make indirect contribution to achieving the biodiversity objectives of the EU (e.g. wastewater treatment infrastructure). Taking also these investments into account, the programmed contribution to the objectives of the EU Biodiversity Strategy for 2030 reaches 6% (EUR 16.6 billion) of the ERDF, CF and JTF total allocation for the period[25]. This represents a 50% increase on the 4% allocation in the 2014-2020 period, contributing to the ambition agreed in the interinstitutional agreement accompanying the Multiannual Financial Framework Regulation to increase the level of spending on **biodiversity**.

Cohesion policy will not only provide significant support to reduce greenhouse gases (GHG) emissions via investment in e.g. energy related activities, but will also contribute EUR 14 billion to **climate change adaptation** and **disaster risk management** in order to deal with the unavoidable consequences of climate change (e.g. the increased risk of flooding, wild fires, droughts and the rise in the sea-level). This is expected to result in support for 229 000 hectares of new green infrastructure.

Almost EUR 13 billion will be invested in **water services and improved wastewater collection and treatment**. Cohesion policy will provide EUR 6 billion of support for **waste prevention, recycling and reuse of municipal waste**; also circular production and consumption practices; and improving resource efficiency. As a result, 16.4 million more people (3.7% of the EU's population) will benefit from clean water supply.

Cohesion policy funding in the environment is shifting away from its focus on infrastructure for basic environmental services towards broader support for sustainability transition that aims at systemic changes in the way we produce and consume. It will not only support investments that are required in order to comply with the EU's environmental legislation, but will also address other needs, such as **water reuse and reducing plastics pollution**. Furthermore, in line with the EU's ambition to achieve a circular economy, cohesion policy will also invest in **recycling systems as well as alternative consumption and production patterns**.

Investment in **sustainable urban mobility** of around EUR 18 billion will cover light rail, metro and tramlines, walking and cycling friendly infrastructure, multimodal terminals/hubs, non-fossil fuel rolling-stock buses, and digital traffic management solutions. These will be delivered on the basis of integrated urban mobility strategies (e.g. sustainable urban mobility plans). Cohesion policy will support 1 230 km of new and modernised tram and metro lines and 12 200 km of dedicated cycling infrastructure.

A more connected Europe

The EU's economic growth and cohesion depend on efficient transport systems at all territorial levels, including trans-European corridors, national networks, regional connectivity and local mobility. Significant progress has been made in previous programming periods, but

[25] Explore investments in biodiversity actions in this Cohesion Open Data story.

there are still missing links, unsafe sections, and inefficient traffic flows. It is also necessary to transfer more passengers and freight to low-carbon (public) transport, and to increase investment in the digital and green transition of the transport sector, while also continuing to improve connectivity and traffic safety, in line with the Sustainable and Smart Mobility Strategy. EUR 40 billion of EU funding under this policy objective will cover the needs in these sectors. The fact that more than 92% of this support will be used by the cohesion countries due to the remaining needs for transport infrastructure development.

Rail is one of the safest and cleanest modes of transport and remains a key element in the transition to the more sustainable transport of passengers and freight. The ERDF and CF will support non-fossil fuel rolling-stock trains. Investing in the European Rail Traffic Management System within the Trans-European Transport Network will also lead to faster and safer rail connections within the EU. 3 900 km of TEN-T railway lines will be newly built, upgraded, reconstructed or modernised with EUR 10.7 billion in EU support.

The focus for **road** transport investments remains on improving Trans-European Transport Network connectivity and completing it by 2030. Priority has been given to road investments that facilitate (transferring to) public transport (e.g. by providing multimodal transfer points and alternative fuels infrastructure).

Port and airport infrastructure will receive limited support, but this will include decarbonisation measures and integration into multimodal networks e.g. by promoting sustainable maritime fuels and ship waste processing facilities, rail access to ports and greening terminals.

A more social and inclusive Europe

Social and inclusive growth is a priority for cohesion policy in the 2021-2027 period with a dedicated policy objective for a more social and inclusive Europe with an allocation of EUR 111 billion [26] (EUR 167 billion including the national co-financing).

The ESF+ is the main tool for investing in people and delivers on this policy objective by strong alignment with the rights and principles of the European Pillar of Social Rights. These investments are of **fundamental strategic importance** for the EU. Economic transition is accelerating, with the digital and climate transitions at the forefront. However, the EU's working-age population will decrease by 15 million (-7%) [27] by 2040 in a context where many sectors are already today suffering from skills shortages. These developments indicate the need for **adaptability of workers and new skills, and to attract as many inactive people as possible into the labour force.** This will in turn make the EU more competitive. Investing in people is therefore essential for EU's resilience and sustainable growth.

The ESF+ contribution to the programmes amounts to EUR 91.4 billion (EUR 136 billion including the national co-financing). The aim is to provide support to just over 37 million people by the end of the decade. The ERDF will also contribute with EUR 19.5 billion and will play a central role in supporting inclusive growth priorities, mainly through infrastructure and equipment support.

[26] In addition, under Interreg, EUR 2.6 billion is allocated to fostering cross-border cooperation in inclusive growth.

[27] Primary source: https://ec.europa.eu/eurostat/statistics-explained/index.php?title=Archive:Population_projections&oldid=59201#Further_Eurostat_information
Secondary source: https://www.oecd.org/els/mig/Peschner.pdf

Both the ERDF and ESF+ ensure that there is a strong **focus on challenges identified in the CSRs**. The Funds play an essential role in strengthening the resilience of social systems; fostering skills; increasing employability; improving the quality, labour market relevance, and inclusiveness of education and training; and boosting access to affordable social and health services thereby turning the European Pillar of Social Rights into reality and helping to achieve its targets.

Employment remains a key area supported by the ESF+ and will receive 31% of the ESF+'s funding. Such funding is mainly targeting access to employment and activation measures for all. Substantial support is also provided to promoting the adaptation of workers and enterprises to change; gender-balanced labour market participation; and the modernisation of labour market institutions (including support to almost 38 000 public administrations or services by 2029). Almost a third of this investment is allocated to youth employment. Overall, the ESF+ aims to **support at least 6.5 million unemployed people and almost 1.3 million inactive people**. The ERDF will provide additional support, including for about 23 000 square metres of new or modernised facilities for employment services. Investments in this area will also contribute to the achievement of the headline Porto target [28] that 'at least 78% of people aged 20 to 64 should be in employment' by 2030, as set out in the Commission's European Pillar of Social Rights Action Plan.

Supporting youth employment remains vital to the EU's future prosperity. Investments in youth employment have been programmed across all ESF+ specific objectives by 23 Member States and will amount to EUR 11 billion (12% of all ESF+ funding), with the aim of supporting almost a million young people by 2029.

Investment in the area of skills is very much needed as underlined by the 2023 **European Year of Skills** and aims to upskill and reskill 4.5 million employed people in the EU throughout their working lives by 2029. Around a third of the ESF+ funding targets education and skills. 43% of that focuses on children, with EUR 12.7 billion assigned to **supporting 1.7 million pupils in primary and secondary education**, and EUR 1.8 billion assigned to early childhood education and care. In addition, EUR 5 billion (17.2%) is allocated to adult education, EUR 3.8 billion (12.9%) to tertiary education and EUR 1.2 billion (3.9%) to the development of digital skills. Approximately 6% of ESF+ will be used invested in green jobs and green skills. Investments in this area will also contribute to the achievement of the headline Porto target that 'at least 60% of all adults should participate in training every year' by 2030, as set out in the Commission's European Pillar of Social Rights Action Plan.

Overall, the **ERDF** is providing **around EUR 8.2 billion for education, training and skills,** mainly through infrastructure and equipment investments to address existing social and territorial inequalities in these areas, as well as to provide conditions for digital education and developing skills, particularly linked to smart specialisation strategies. This will help strengthen an equal access to education, training and skills development opportunities for all. Almost 3.5 million people are expected to study in new or modernised education facilities as a result and nearly 517 000 are expected to benefit from new or modernised childcare facilities.

Social inclusion is increasingly important to **ensuring growth in all regions** and accounts for 33% of the total ESF+ budget (well above the minimum threshold of 25% required by the legislation for each Member State). More than 80% of the investment assigned to social inclusion will be allocated to measures for active inclusion (EUR 12.7 billion or EUR 20.5 including national co-financing) and access to services (EUR 11.6 billion or

[28] On 8 May, the members of the European Council adopted the Porto Declaration on social affairs.

EUR 16.6 billion including national co-financing). The ESF+ is also intended to improve the social integration of more than 3 million people who are at risk of social exclusion, including support to 600 000 people in marginalised groups such as Roma. Target groups are also supported via mainstream actions under all the other specific objectives to reduce discrimination and facilitate inclusion. Investments in this area will also contribute to the achievement of the headline Porto target that 'the number of people at risk of poverty or social exclusion should be reduced by at least 15 million, including at least 5 million children' by 2030, as set out in the Commission's European Pillar of Social Rights Action Plan.

The ERDF's contribution to social inclusion covers **integration of marginalised communities and of third-country nationals** with a budget of EUR 2.3 billion. These investments promote access to mainstream non-segregated services through comprehensive measures in housing, education, employment, health and social care. Support for new or modernised **social housing** will benefit almost 49 000 people. The ERDF will also contribute to **integrated actions for socio-economic inclusion** of about 250 000 people from marginalised communities, low-income households and disadvantaged groups.

The ESF+ will provide EUR 4.8 billion of support to **health and long-term care**. Delivery of family and community-based care services as well as accessibility, effectiveness and resilience of health systems will take up the largest share of this, together with access to long-term care and active/healthy ageing. The ERDF will invest EUR 6.1 billion in **support for health infrastructure and equipment,** including for social inclusion and digitalisation of healthcare. This is based on national or regional health strategies that also contain mapping of the needs and will in turn improve access to mainstream healthcare services especially for vulnerable and marginalised groups, for example, with 60 million patients receiving medical advice or treatment in new or modernised healthcare facilities.

One novelty of the ESF+ was the incorporation of the Fund for European Aid to the Most Deprived. This entailed two new specific objectives: **support for the most deprived people** via food and basic material assistance, and **social integration measures**. Support for the most deprived people accounts for 4% of the ESF+ allocation, which is more than the 3% minimum regulatory requirement for the Member States and amounts to EUR 4.7 billion. Almost 17 million people across the EU will receive basic material support over the coming years, including food support for 10 million people.

Tackling child poverty is an increasingly important way to ensure that no child is left behind. ESF+ support for the implementation of the Child Guarantee through targeted actions and structural reforms to tackle child poverty has therefore been programmed by 23 Member States to an amount of EUR 6.1 billion and with the aim of supporting 2.7 million children across the EU. Member States have gone beyond the 5% minimum regulatory requirement with planned allocations ranging from 5.3% to 21% of their national allocations.

Both **social partners and civil society organisations** play an important role in the delivery of employment, education and social inclusion policies and 22 Member States have programmed ESF+ support to build their capacity in this respect - EUR 362 million has been assigned to improve the capacity of social partners and EUR 401 million to civil society organisations. These amounts go far beyond the minimum legal requirements.

In the 2021-2027 period, the ERDF has a new specific objective of focusing on **tourism and culture**. The ERDF will provide 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 the needs of both sectors' digital and green transformation, resilience and long-term environmental, social and financial sustainability.

In terms of territorial tools, EUR 3 billion of the ERDF and ESF+ will be spent on sustainable urban development and EUR 2.3 billion for strategies in non-urban territories. Out of these, bottom-up community-led local development strategies will receive about EUR 750 million (almost equally split between urban and rural areas). Furthermore, other possible territorial approaches have also been used and EUR 1.4 billion and EUR 1.3 billion, respectively, will be invested in islands and rural areas.

A Europe closer to citizens

Cohesion policy plays a **central role in bringing Europe closer to its citizens and connecting local development needs and potential with EU and global objectives**. A dedicated policy objective provides the necessary thematic flexibility and incentives for multilevel governance to support **integrated territorial and local development strategies** targeting the sub-regional level. It also supports enhancing urban-rural linkages and connecting urban areas with surrounding territories by including these territories in the relevant urban development strategies.

24 Member States have programmed more than EUR 19 billion [29] to **support place-based investments** via more than 2 150 integrated territorial development strategies with enhanced ownership and the participation of local stakeholders and communities. Almost two thirds of this allocation is planned for investment aimed at **fostering integrated and inclusive social, economic and environmental development, culture, natural heritage, sustainable tourism and security** within urban areas, while one third will pursue such objectives in non-urban areas. For example, 2 million m^2 of public buildings will be energy renovated, 33 km^2 of open space will be created or renovated in urban areas, and around 3 800 cultural or tourism sites will be supported.

65% of the investments under this objective will support the implementation of integrated and place-based sustainable urban development strategies. EUR 5 billion has been programmed under integrated territorial investments and EUR 6 billion under other national territorial tools. The remaining 35% will be invested via integrated territorial investments, community-led local development and other nationally defined tools in rural and mountainous areas, islands and other territories.

Towards a just transition

The JTF has been created as part of the European Green Deal and, with a budget of EUR 19.7 billion[30], it aims to **help the people and places expected to be most affected by the transition to climate neutrality so that no region is left behind[31]**. The ERDF and the CF continue to be the main source for supporting the transition itself with the ESF+ for its social consequences. The geographical scope includes territories that depend on the extraction or production of coal, lignite, peat and oil shale, which are expected to decline with the transition to a climate neutral EU economy, leading to job losses and other negative impacts, and territories that depend on carbon-intensive industries such as steel, cement and chemicals, which need to change fundamentally, including changes in skills and job profiles.

[29] Bulgaria, Cyprus, Lithuania and Hungary have assigned the highest amounts to this objective proportionate to their allocation.
[30] EUR 18.9 billion excluding technical assistance.
[31] Explore the planned JTF investments in this cohesion open data story.

The JTF has enabled **several Member States to make progress in their plans to phase out coal**. Six Member States had no specific coal phase-out planning in early 2021[32], but only one [33] still lack this today. Hungary has brought forward its phase-out date. Germany brought it forward for one of its three biggest providers to 2030 and will decide in 2024, whether a complete phase out by 2030 is feasible. Ireland and Latvia will completely phase out the use of peat for energy use and Finland will greatly reduce it by 2030 (with the aim of becoming climate-neutral by 2035). The JTF is also helping to restore peatlands in these countries. In Estonia, the use of oil shale for energy use will end by 2040 (by 2035 for electricity generation). The JTF is helping other Member States to achieve ambitious objectives to decarbonise industry that in some case go beyond the EU target, and to support fossil-fuel dependent regions in diversifying their economies. In almost all Member States[34], the implementation of these commitments is accompanied by social measures, including upskilling and reskilling of workers and jobseekers, and providing new job opportunities.

The JTF will invest in **skills and economic diversification**. EUR 5 billion (28%) will support SMEs and start-ups and EUR 3.2 billion (18%) will support reskilling of workers, job-search assistance, and youth and education. Almost 39 000 enterprises will be supported under the JTF and more than 5 000 SMEs will invest in new skills for smart specialisation, industrial transition and entrepreneurship. Up to 120 000 unemployed people will benefit from the measures and almost 200 000 people will gain new qualifications.

EUR 3 billion will be invested in promoting **clean energy**, often with a view to helping renewable energy sectors to create jobs that will compensate for the loss of fossil-fuel-dependent jobs. Research and innovation, including **support to decarbonise carbon-intensive industries** to anchor their presence in the regions and save jobs, will receive a support of EUR 2 billion from the JTF.

The JTF will also support the **regeneration of sites** (EUR 1 billion), e.g. rehabilitating almost 46 000 hectares land, and the **circular economy** (EUR 0.7 billion), e.g. through support for new business models in carbon-intensive sectors such as cement or glass production. In addition, productive investments in large enterprises can receive support [35], in duly justified circumstances and subject to several conditions, including a job gap analysis at level of the supported territory (EUR 0.7 billion). Based on the specific needs of the territories it will also support investments in mobility, social infrastructure and public administrations.

The JTF is part of the larger Just Transition Mechanism, including a dedicated InvestEU Just Transition Scheme aiming to attract private investment and the Public Sector Loan Facility to leverage additional public funding. The three pillars combined expected to mobilise up to EUR 55 billion.

---

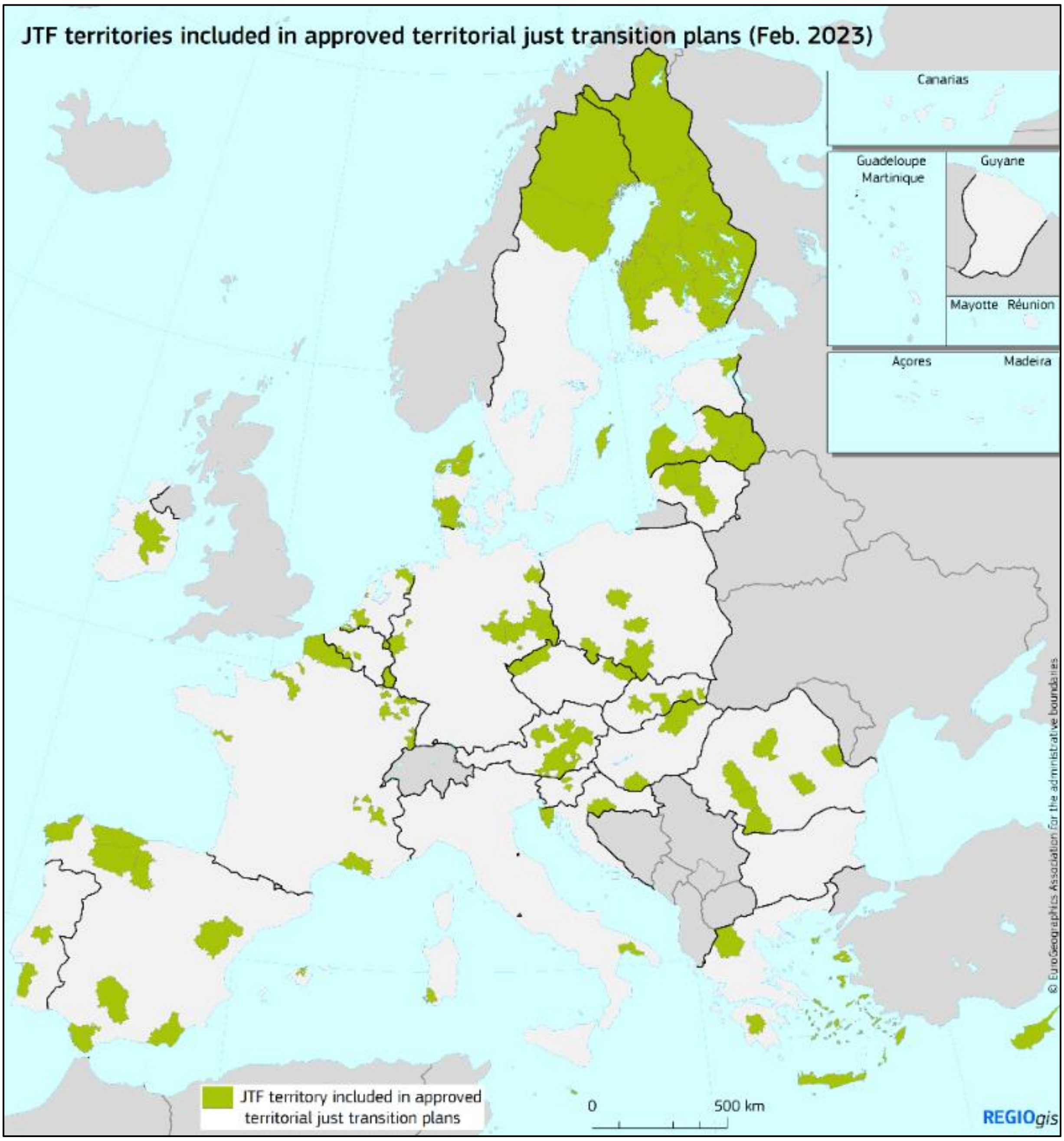
[32] Bulgaria, Czechia, Croatia, Poland, Romania and Slovenia.

[33] Bulgaria.

[34] The programming of JTF in Bulgaria has not been completed yet due to government decision.

[35] Such investments will take place only in 11 Member States (CZ, DE, EE, EL, FR, NL, PL, PT, RO, SI and SK).

Map 2 – JTF territories[36]



Interreg

Interreg supports territorial cooperation across the EU and its neighbours via 86 cooperation programmes that invest over EUR 10 billion from the ERDF. The 2021-2027 legal framework for Interreg includes a number of novelties that are intended to both deepen and facilitate cooperation. Among them is the possibility of supporting the governance of cooperation in joint/shared territories across borders. 80% of the programmes have used this option, notably to enable better systematic management of border services such as transport and health for people living in border areas thus clearly indicating how much this was needed and the interest in investing in long-term cooperation processes. They also include a dedicated strand for cooperation between the outermost regions and their neighbouring countries and

[36] Source: Inforegio - Just Transition Fund (europa.eu)

territories, with a view to enabling better regional integration in their respective geographic areas.

Another novelty is the Member States' voluntary commitment to associate young people in Interreg programming and implementation via a number of options such as the participation by youth organisations in the decision-making process; the earmarking of funding to youth projects; and specific communication activities dedicated to young people. More than 20 programmes will proactively involve young people, which reflects the excellent dialogue with the programme authorities in full respect of the partnership principle.

The Commission swiftly reacted to Russia's illegal and unjustified military aggression against Ukraine by suspending all cooperation with Russia and Belarus, and by reallocating resources initially planned for cooperation with these two countries in order to **significantly reinforce the EU's programmes with Ukraine and Moldova**. Despite the extremely difficult conditions and thanks to the high commitment of those two partner countries, the Commission managed to adopt, by end of 2022, six programmes. This will allow to address vital needs in the relevant border areas (e.g. investment in healthcare, education and border security, as well as building up the capacity of regional and local administrations). Furthermore, cooperation across external borders plays a positive role in preparing candidate countries for their future responsibilities in the field of regional development and territorial cooperation.

4. Novelties of the 2021-2027 policy framework [37] and horizontal policy issues

The Commission made an early start in preparing the 2021-2027 programming period. The legislative proposals were already issued in May 2018 and included important improvements to ensure that investments are well targeted and effective. The Commission put forward major **simplification measures** in its proposal for the 2021-2027 cohesion policy, largely preserved throughout the subsequent legislative process[38]. The Commission issued its views on the Member States' investment needs within the 2019 and 2020 European Semester packages. The negotiations on the individual programmes started in spring 2019 and continued until the end of 2022. The discussion on the proposed financing under the above-mentioned policy objectives took a number of factors into account (e.g. the horizontal principles; the partnership principle; the conditions for effective implementation; the simplification measures; and the minimum requirements for focused investments, in line with the EU's priorities). Some of the main discussion points are mentioned below.

Simplified cost options and financing not linked to costs

The new regulatory framework aims to further improve the opportunities for using simplified cost options and financing not linked to costs as a mode of reimbursement of the EU's contribution by the Commission, rather than financing the real costs of projects, and as a way to increase the focus on performance and on the outputs or the results achieved. These tools have the potential to reduce the administrative burden but maintain a high level of assurance of legality and regularity.

[37] Inforegio - New Cohesion Policy (europa.eu)

[38] A handbook of 80 key administrative simplifications was developed. Simplified cost options are one of the most promising areas. The burden on beneficiaries will also be sharply reduced by moving from systematic verification to risk-based management verification. In addition, audit tasks have been streamlined in order to significantly reduce the administrative burden on beneficiaries and increase legal certainty (notably through single audit arrangements and a proportionate approach to auditing). Some of the most time-consuming procedures have been abolished (i.e. the designation and re-designation of authorities, as well as specific rules for major projects and for revenue-generating projects).

15 Member States [39] included around 300 simplified cost options and financing not linked to costs schemes in their programmes with planned amounts of EUR 11.4 billion (including national co-financing), for example in the areas of SMEs' business development and internationalisation; research and innovation; energy efficiency in buildings; active inclusion and employability; active employment and activation measures; and quality and inclusive education and training systems. A significant number of further schemes is being prepared and will continue to be prepared in the coming years.

Seven Member States [40] used nine financing-not-linked-to-costs schemes that are estimated to contribute EUR 4.7 billion (including national co-financing) to the areas of energy efficiency[41]; social innovation; childcare; administrative capacity-building; technical assistance; formal education and social inclusion.

Enabling conditions

The new enabling conditions provide the funds with a solid conditionality mechanism ensuring that Member States put in place **systems and arrangements needed for an effective and efficient implementation of cohesion policy**. Four horizontal enabling conditions are applicable to all the funds and 16 thematic enabling conditions are applicable to associated specific objectives.

These conditions are effective tools which oblige Member States to set up general and sectorial frameworks to ensure the effectiveness of EU support with a view to carrying out real policy change. They cover policy areas linked to the objectives of cohesion policy, ranging from an effective disaster risk management framework to a strategic policy framework for active labour market policies and a national Roma inclusion strategic policy framework. The enabling conditions have proven to be successful catalysts for reforms in the Member States. The new framework ensures that the Member States must meet the enabling conditions throughout the entire programming period and payments from the Commission to the Member States to the relevant specific objective can only be made when the relevant enabling conditions have been fulfilled.

Regarding the horizontal enabling conditions, all Member States have (at the time of publication of this staff working document) fulfilled the ones related to public procurement, state aid and the United Nations Convention on the Rights of Persons with Disabilities. All but two Member States[42] have fulfilled the one on the Charter of Fundamental Rights of the European Union.

As for the thematic conditions[43], **two thirds were fulfilled** at the time of adoption of the programmes and the Commission counts on the Member States to make sure that the remaining ones will be fulfilled soon - thus ensuring the proper implementation of the funds. Substantial amounts (EUR 146 billion or 39% of the allocation excluding Interreg) cannot be currently reimbursed by the Commission due to unfulfilled enabling conditions (either

---

[39] BE, BG, CZ, DE, IE, ES, FR, HR, IT, LV, LT, MT, NL, AT, PT and the Interreg programmes.

[40] BG, IT, LV, HU, AT, PT and PL.

[41] E.g. the reimbursement of the EU contribution is linked to the fulfilment of the condition that a pre-defined quantity of CO_2 equivalent (in tons) are saved per year during the implementation period of the scheme.

[42] HU and PL.

[43] On the existence of appropriate strategies/plans/framework on smart specialisation; broadband; energy and climate, including energy efficiency, energy sector governance, renewable energy; disaster risk management; water and waste water; waste; conservation measures; multimodal transport; active labour market; gender equality; education and training; social inclusion and poverty reduction; Roma inclusion; and health and long-term care.

horizontal or thematic). The unfulfilled thematic conditions relate to EUR 84 billion out of this.

Performance orientation

Key reforms have improved the focus of the programmes' objectives and their monitoring[44]. A reduced list of policy objectives and specific objectives was set in the Funds' regulations. The programmes follow a **clearer intervention logic** with a more complete list of common output indicators. A new list of common result (outcome) indicators for the ERDF, CF and JTF has **improved the investment coverage by common indicators**. For instance, the common output indicators used in the adopted programmes under ERDF interventions account for nearly 77% of all indicators used (compared with 51% in 2014-2020). An estimated 80-90% of the ERDF allocation is covered by common indicators (50-60% in 2014-2020). The list of common output and result indicators for ESF+ was shortened and their reporting simplified, thanks to an increased reliance on administrative data and informed estimates. Financial and indicator monitoring data will be exchanged more frequently in order to reduce time lags in monitoring. The 2021-2027 performance framework includes all the output and result indicators. Progress towards milestones (i.e. an intermediate value to be achieved in relation to an output indicator under a specific objective) will be one of several factors taken into account in the mid-term review in early 2025 when deciding on the allocation of the flexibility (i.e. unallocated) amounts. These changes will help to improve transparency, accountability and impact evaluation.

Partnership

The partnership principle has been one of the cornerstones of cohesion policy for decades. Partnership is essential in order to secure the full engagement of relevant partners in programming and implementation of cohesion policy funds, improving quality of investments and ensuring democratic accountability. In 2014, the Commission issued the European Code of Conduct on Partnership, which could be implemented during the negotiations of the 2021-2027 programmes[45]. The Code contains detailed requirements and good practice recommendations (e.g. on the transparency of balanced partners' selection; their involvement in the preparation of calls for proposals and in monitoring and evaluation of the programmes; and the need for timely, meaningful and transparent consultation of partners with a feedback mechanism for contributors). **The proper implementation of the partnership principle is of the utmost importance** and is systematically monitored by the Commission. Ensuring the involvement and engagement of partners allows investments and reforms on the ground to be effectively implemented so that they efficiently address the key challenges. The Code has helped to provide the Member States and managing authorities with a clear benchmark for engaging with partners already during the programming phase.

The Commission has also launched the **European Community of Practice on Partnership** to exchange best practices and ensure the inclusive implementation of cohesion policy.

[44] See Staff Working Document (2021) 198 on performance, monitoring and evaluation of the ERDF, the Cohesion Fund and the Just Transition Fund.

[45] Article 8 of the Common Provisions Regulation (EU) 2021/1060.

Assistance to outermost regions

The nine outermost regions [46] are, despite the thousands of kilometres separating them from the European continent, an integral part of the EU. They benefit from specific tailored measures under cohesion policy reflecting the specific challenges these regions face and their special Treaty status under Article 349 of TFEU.

These dedicated measures are intended to **help the outermost regions address the major challenges they face due to their remoteness, insularity, small size, difficult topography and climate, and economic dependence on a limited number of products**. The outermost regions therefore benefit, for example, 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. These regions also receive a specific additional allocation from ERDF and ESF+ which has been increased from approximately EUR 1 billion in 2014-2020 to EUR 1.5 billion in 2021-2027. Furthermore, five Interreg programmes support the outermost regions, in particular their regional integration with non-EU neighbours in key areas such as climate change mitigation and preservation of the oceans.

The Commission has adopted a dedicated communication [47] setting out actions to support the outermost regions' socio-economic development. This encourages the outermost regions and their Member States to steer investment towards improving people's living conditions; unlocking their unique assets and research potential; progress towards a green and digital transition; fostering regional cooperation within their neighbourhood.

Social innovation

Today's societal challenges call for innovative solutions and the active involvement of stakeholders (including citizens and civil society). The ESF+ therefore emphasises the importance of social innovation and its regulation requires all Member States to establish a dedicated priority for social innovation in one or more ESF+ programmes. As an incentive, such actions can benefit from an EU co-financing rate of up to 95%.

To help Member States promote social innovation, EUR 5 million of funding from the ESF and the European Programme for Employment and Social Innovation was made available in 2020 to establish national competence centres for social innovation. For the 2021–2027 programming period, the European Programme for Employment and Social Innovation was merged into the ESF+ as a separate ESF+ strand. In addition, the ESF+ has assigned EUR 197 million specifically to supporting the scaling-up and replication of innovative approaches through transnational cooperation. This initiative, the ESF Social Innovation+, is implemented under indirect management by the Lithuanian ESF Agency, ESFA. Its scope includes EU-wide calls for proposals, as well as mutual learning, capacity-building, networking and methodological support.

ERDF will also work through the Interreg programmes to provide resources for EU-wide experimentation. Social innovation contributing to economic and social resilience can be

[46] These nine EU regions of France (Guadeloupe, French Guiana, Martinique, Mayotte, Réunion and Saint-Martin), Spain (the Canary Islands) and Portugal (Azores and Madeira) are located in the Atlantic Ocean, the Caribbean basin, South America and the Indian Ocean. They benefit from a special status under Article 349 of TFEU.

[47] 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.

supported under all policy objectives with an explicit link to the social economy, culture and tourism.

Territorial approaches

2021-2027 cohesion policy has brought a strengthened bottom-up approach by empowering sub-regional territories and local communities to identify their own priorities and projects in an integrated and participatory way. All 27 Member States have programmed around **EUR 40 billion** for that purpose by making use of territorial tools i.e. **integrated territorial investment, community-led local development or other tools** designed by the Member States. 20 Member States are applying integrated territorial investments to a total amount of more than EUR 23 billion mostly in functional urban areas, but also in cities and urban neighbourhoods, rural areas, mountain and island regions, and territories affected by population decline. 12 Member States plan investments of EUR 1.6 billion under community-led local development strategies, mainly in the rural context. 19 Member States will use other territorial tools that have been designed to support urban, rural and other areas with more than EUR 16 billion.

The strategies focusing on urban areas are mainly tackling challenges such as **climate change adaptation, urban regeneration and sustainable urban mobility**. For example, Berlin's sustainable urban strategy for 2021-2027 will continue focusing on deprived districts; creating socio-integrative projects in support of an innovative economy; promoting educational and labour market opportunities; and at the same time targeting the reduction of greenhouse gas emissions.

Most of the non-urban strategies are intended to **develop the endogenous potential of different types of territories (e.g. rural, islands and mountainous areas) and to address demographic and territorial challenges such as unequal access to public services**. For example, Cozzano village of 270 inhabitants in Corse, France is facing the risk of desertification. To address this, it has developed a strategy for new services and infrastructures integrating sustainable development (including the aim to become a positive-energy village).

In order to more effectively tackle the economic, environmental, climate, demographic and social challenges affecting urban areas, including functional urban areas, the Member States have earmarked EUR 24 billion (almost 12% [48] of their ERDF allocation) to supporting investment projects based on sustainable integrated strategies developed and implemented by cities. 45% out of these investments are programmed under the 'Closer to citizens' policy objective and 55% benefit the other policy objectives. The integrated territorial investment tool is by far the most preferred instrument for programming investments from several policy objectives and from several cohesion policy Funds in urban and functional urban areas.

Cohesion policy continues to encourage Member States to take account of demographic challenges and the legal framework was strengthened with the addition of a new legal provision on the Support for disadvantaged areas[49]. In their Partnership Agreements, all Member States (except for one) have identified demography as a major trend with potential negative effects on the balanced development of their territory and many Member States have planned measures to address demographic challenges in their programmes.

[48] The minimum allocation of 8% to sustainable urban development required by the legislation was significantly exceeded.

[49] Article 10 of Regulation (EU) 2021/1058.

Territorial approaches are further supported through the URBACT and ESPON 2030 interregional cooperation programmes as well as 15 cross-border cooperation programmes. URBACT is a capacity-building programme for all cities and dedicated to sharing experience and best practices between cities working together to develop effective and sustainable solutions to major urban challenges. ESPON 2030 delivers territorial analysis, data and advice to support policy makers at all levels in the EU with evidence and knowledge for informed policy responses.

A novel **European Urban Initiative** (EUI) has been launched to help Member States' efforts to address the economic, environmental, climate, demographic and social challenges of their cities, functional urban areas and the surrounding areas. It has a budget of EUR450 million and supports Member States in carrying out their commitments on sustainable urban development and fostering innovation, capacity and knowledge-building in all urban areas. The first EUI call for innovative actions is targeted at the implementation of the New European Bauhaus and it will identify around 10 pilot demonstrators which will be supported with a budget of EUR 50 million. The call was launched in October 2022 and received 99 applications in response. The European Urban Initiative will also support the work of the intergovernmental Urban Agenda for the EU (by facilitating multilevel governance cooperation on a number of themes relevant for urban areas).

As regards the territorial distribution of the investments, about 30% (to a value of almost EUR 56 billion) of the ERDF investments are assigned to specific territories. Out of these, 61% have been allocated to urban areas and a further 25% has been allocated to rural, islands and mountainous territories. The remaining 14% has been allocated to other territorial targets, which can include all types of territories, including rural areas.

The cohesion policy provides a flexible and adaptable framework to support all territories, including rural areas in line with the objectives of the **Long-term vision for EU's Rural Areas**[50]. The territorial instruments, smart specialisation strategies and integrated approaches to addressing demographic challenges or specific needs of rural areas and areas which suffer from severe and permanent natural or demographic handicaps, provide for possibilities to deliver investment support aimed at building resilient and sustainable communities, attracting talents and strengthening local innovation ecosystems.

In addition to the territorial instruments, the Territorial Just Transition Plans under the JTF are a new ground-breaking model for the 'territorialisation' of policies towards a just transition to climate neutrality. One of the JTF's novelties was to combine ERDF and ESF type of investments within a single territory through options defined in territory-specific just transition plans. The JTF's support to each selected territory was justified by reference to the expected negative impact of the climate transition, thus making the JTF intervention more territorially targeted. In some cases, the preparation of the JTF also involved working with partners in a narrowly defined territory in a very intensive and thematically focused way.

Synergies with Horizon to promote innovation

The synergies between Horizon Europe and ERDF programmes aim to **address challenges linked to the persisting innovation divide** among the EU regions offering an option of an integrated approach of investments from both instruments. The 2021-2027 legislation allows for **strengthened synergies** via the Seal of Excellence, transfers, a possibility for an operation to receive support from one or more Funds or from one or more programmes and from other EU instruments, and synergies in European Partnerships. In addition, there are the so-called

[50] COM(2021) 345 final of 30 June 2021.

upstream and downstream synergies. In the upstream synergies, capacity building, skills development or infrastructure investments supported by ERDF allow for reaching for subsequent funding from another EU programme. The downstream synergies accelerate the uptake of innovative solutions and technologies by exploitation of results from Horizon Europe with the support from the ERDF, very relevant for example in the context of the EU Missions. The joint use of both instruments leading to synergies is voluntary and the managing authorities need to assess to which extent they contribute to achievement of ERDF programme objectives. To support the implementation of synergies the Commission published the interpretative Notice on synergies between Horizon Europe and ERDF programmes [51] and is actively seeking to improve cooperation between Member States' authorities with R&I policy and operational responsibilities, and the national cohesion policy authorities in charge of R&I, by way of a dedicated European Research Area (ERA) Forum sub-group on Access to Excellence (under ERA Action 16).

Another novelty for the regional innovation diffusion is the concept of Innovation Valleys introduced in the New European Innovation Agenda [52] on to accelerate and strengthen innovation in European Innovation Ecosystems across the EU and addressing the innovation divide, with a strong emphasis on involving less developed regions. The target regions are those seeking to cooperate with other EU regions, building on their Smart Specialisations, in five focus areas indicated in the New European Innovation Agenda: reducing the reliance on fossil fuels; increasing global food security; mastering the digital transformation (including cybersecurity); improving healthcare and achieving circularity. The coordinated calls of **Interregional Innovation Investments** (I3) instrument under the ERDF and European Innovation Ecosystems Work Programme under Horizon Europe will facilitate the recognition of up to 100 regions as a "**Regional innovation valley**". This new framework of cooperation also creates an opportunity for the regions, which do not have yet much experience in working within Horizon Europe to develop further collaborative activities and interregional projects.

New European Bauhaus (NEB)

Cohesion policy is the EU's main investment policy shaping our villages and cities. The Commission therefore gave an impetus to the New European Bauhaus initiative to ensure that **projects are implemented in an inclusive, sustainable and aesthetically appropriate manner**. All Member States have included references to the initiative in their programmes for this period. Specific commitments to support the initiative include the incorporation of its values in interventions on energy efficiency and sustainable urban development. In order to assist regional and local authorities to develop projects that can be selected and financed in mainstream cohesion policy programmes, 20 project proposals from small and medium municipalities throughout the EU will be receiving expert support on the ground until June 2024 and their experiences will be gathered in a NEB toolbox.

The New European Bauhaus Prizes have become the most important platform for showcasing inspirational projects and ideas implementing the NEB values. Over 3 000 applications were received for the 2021 and 2022 competitions and 1 458 have been received for the 2023 competition from all the EU Member States and from the Western Balkans countries.

[51] Commission Notice Synergies between Horizon Europe and ERDF programmes (2022/C 421/03).

[52] Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions "A New European Innovation Agenda" COM (2022)332 final.

Strengthening administrative capacity

Good administrative capacity is a precondition for effective and efficient use of the Funds, and more generally for economic and social progress. During the programming of cohesion policy Funds, the Member States were asked to describe their administrative capacity challenges and their plans to reinforce it for the policy's implementation. The Commission has strongly encouraged the Member States to take a more strategic approach to building up the administrative capacity of programme authorities, beneficiaries and partners. 13 Member States[53] have to this end agreed to develop 'roadmaps for administrative capacity-building'. Broad stakeholder involvement has proved to be key in the development and implementation phase of the roadmaps. The Member States were also asked to allocate appropriate funds to building up the capacity of social partners and civil society organisations[54]. In addition, the Commission opened up the use of the Technical Support Instrument to regional and local entities in order to assist in the preparation, design and implementation of growth-enhancing reforms.

Interreg Europe also supports programmes and national/regional authorities to better implement regional policy and the Interreg programmes benefit from capacity-building measures via the Interact programme.

As a specific measure to increase efficiency, transparency and accountability; to prevent fraud and corruption; to increase public trust; and to promote better competition with a view to generating cost savings, 15 Member States[55] included commitments in their Partnership Agreements to implement Integrity Pacts for relevant key procurements and integrated in their Partnership Agreements references to certain other anti-fraud elements.

The Just Transition Platform (JTP) gives complementary assistance to managing authorities and other stakeholders for the implementation of the JTF. Since 2020, the JTP organises two conferences a year, as well as four JTP Working Groups on carbon-intensive regions, to exchange good practices, build a JTF community, and work together on solutions for a just transition. As from 2023, through JTP Groundwork, regions indicated in Member States' territorial just transition plans will receive tailored advisory support for project development, governance, administrative capacity, local community-building and targeted JTF communication. Moreover, to enhance the expertise on the ground, a new just transition expert database is being created, as well as a new expert missions programme (JTPeers). In addition, the new European Urban Initiative provides support for capacity building for urban practitioners[56].

Use of financial instruments

The ERDF, CF and ESF+ resources to be used in financial instruments are expected to mobilise, based on past experience, at least four times their amount in the real economy by attracting additional resources from commercial banks and private investors. As such, **financial instruments remain an important tool for the efficient implementation of cohesion policy** in the 2021-2027 period.

[53] BG, CZ, EE, ES, HR, IT, LV, LT, HU, PT, RO, SI and SK.

[54] Furthermore, Member States with a CSR on capacity building of the social partners or civil society organisations should allocate at least 0.25% of their resources from the ESF+ for that purpose due to the specific needs they have in that area. On average, the Member States allocated almost 0.9% from ESF+ for this purpose.

[55] BG, CZ, EL, ES, HR, IT, LV, LT, HU, MT, PL, PT, RO, SI and SK.

[56] EUI launches two calls for capacity building activities! | EUI (urban-initiative.eu)

The Member States have programmed EUR 19 billion representing 5.5% of the total cohesion policy funds to support investments via financial instruments[57]. To this amount, ERDF and CF contribute with an allocation of EUR 18 billion representing 7.3% of the ERDF and CF envelope (in comparison to 8.4% in the 2014-2020 period). ESF+ contributes with EUR 0.7 billion representing 0.8% of the ESF+ envelope (in comparison to 1% in the 2014-2020 period). JTF contribution is of EUR 0.6 billion representing 3.4% of the JTF envelope. This decrease in allocations between the programming periods is understandable: due to a significant increase of more than EUR 2 billion in the ERDF allocations for financial instruments to support COVID response measures under 2014-2020 period, to access to revolving funds from past instruments and new, and numerous, other EU funding opportunities.

More than a third of the financial instruments' amount under the ERDF will support SME investments, 24% is planned for investments in energy efficiency and 8% is planned for investments in renewable energy. This means that nearly EUR 6 billion will be invested to cover investment gaps in relation to energy transition and decarbonisation of sectors that are crucial for the success of the Green Deal. Member States plan to use financial instruments also in areas such as research, innovation and digitisation and urban and territorial development. Under the JTF, the allocations to financial instruments represent a positive uptake in geographical areas where reliance on grants is remarkably high and the setup of financial instruments remains challenging. Financial instruments under JTF plan to provide, for example, SME incentives to improve energy performance and support for innovative projects for ecological transition and protection of natural resources. Most of the ESF+ resources are allocated to access to employment and activation measures for all. Lifelong learning, career transitions as well as active inclusion and employability will be financed too.

European Semester steering cohesion policy investments

Cohesion policy is fully aligned with the EU economic and social governance within the European Semester. In the 2019 and 2020 [58] exercises the European Semester, together with reform orientation, provided investment-related country-specific recommendations following the specific investment guidance introduced in all the country reports for the 2021-2027 programming of cohesion policy funds.

The European Semester country reports also feature the analysis of regional dynamics and the relevance of cohesion policy investment, with a specific focus introduced in 2022 with the analysis per Member States of the role of cohesion policy funding and of the economic and social performance.

In 2022, all Member States received recommendations on cohesion policy aimed at accelerating the finalisation of the programming. A similar focus on regional analysis pointing to existing gaps and needs at territorial level and on the major role of cohesion policy alongside the other EU instruments (notably the RRF) is featured in the 2023 country reports.

'Do no significant harm' to the environment principle

To ensure that cohesion policy investments are aligned with the European Green Deal objectives, the investments in the programmes take into account the 'do no significant harm' to the environment principle, covering climate change mitigation, adaptation, water and marine resources, circular economy, pollution prevention and control, protection and restoration of biodiversity and ecosystems. The Commission counts on the Member States to

[57] Explore the planned use of financial instruments in this cohesion open data story.
[58] For the JTF in 2020.

also consider the principle during the implementation of the programmes, thus ensuring that the support is in line with the EU's climate and environmental goals.

Climate proofing

To ensure that investments under cohesion policy are in line with the objectives of the Paris Agreement and pursue the objective of achieving a climate-neutral Union by 2050, Member States should ensure the climate proofing of investments in infrastructure which have an expected lifespan of at least 5 years. Climate proofing should be ensured at the stage of selection of operations through an adequate methodology to prevent infrastructure from being vulnerable to potential long-term climate impacts. In addition, climate proofing should also ensure that the 'energy efficiency first' principle is respected, so that the project is consistent with the objective of climate neutrality for 2050.

Promoting gender equality

Through its funding programmes and mainstreaming approach, Cohesion policy plays an important direct and indirect role in promoting gender equality in the EU at the national, regional and local levels. Several requirements regarding gender equality are embedded in cohesion policy's legal framework: gender mainstreaming, the partnership principle, non-discriminatory selection criteria and gender-tracking.

In the 2021-2027 period more than 30% (EUR 111 billion) of all cohesion policy funding under ERDF, ESF+, CF and JTF are programmed to support gender equality[59]. In particular, a wide range of ESF+ actions support gender equality either directly or indirectly with a contribution of EUR 55.5 billion. These measures will include gender mainstreaming and targeting; gender-balanced labour market participation; women's labour market participation; reducing gender-based segregation in the labour market; and promoting a work-life balance that includes access to childcare and care for dependent persons.

Increased visibility of EU funding

A **simplified visibility approach for EU support and reinforced planning of strategic communication** at programme level will give the Commission, programme authorities and beneficiaries a common basis on which to make cohesion policy communication more effective and visible. This common basis was made more concrete during the negotiation process, by reserving a sufficient budget for communication actions during the implementation of the programmes and discussing how to exploit the communication potential of operations of strategic importance.

Together with Member States and regions, who share the responsibility of communicating the policy, the Commission created a new single rule book that will enable managing authorities, and the Commission, to communicate on projects receiving EU support, irrespective of which programme or Fund is providing the financing. The Commission is also coordinating a single EU network for communication – 'Inform EU' – that currently involves over 1 000 communication officers from eight funds and the RRF to ensure the best possible outreach to citizens and coordination between all our stakeholders. This network has established a cooperation platform where training on communication aspects of our policy and exchange of

[59] Explore the gender equality investments in this Cohesion Open Data story – link.

practices is constant, open and effective. Finally, modern knowledge tools for project information and funding transparency have been deployed[60].

Uptake of transfer possibilities

Following the agreement on the multiannual financial framework for 2021-2027, the Member States were informed of their allocations per year, fund and category of region. Where justified, the Member States have a limited option to transfer some of the allocated funds to other funds or categories of regions.

Most Member States took the opportunity to make some adjustment to their funding sources in order to better suit their needs. However, the take-up was rather limited - less than 0.3% (EUR 918 million) of the maximum possible 5% was transferred out of the policy from ERDF, ESF+ and CF (EUR 62 million to ERASMUS+ and Horizon Europe, EUR 610 million to BMVI, EUR 14 million to EMFAF) or contributed to InvestEU (EUR 232 million).

5. Conclusion

With the adoption of 379 cohesion policy 2021-2027 programmes that have started to invest EUR 378 billion in all EU regions, cohesion policy remains the **main long-term investment instrument in the EU**. In the next seven years, it will contribute to bringing **forward the green and digital transition** while making sure that all regions can contribute to and benefit from the internal market so that no one is left behind. Cohesion policy provides strong place-based approach to EU policies, helping all regions to develop their competitiveness, allowing them to fully participate in the internal market and enhancing social well-being across the EU territory. It also helps deliver public goods, such as environment protection, security, social inclusion, innovation, as well as high quality services, so that all Europeans can choose where to live and work without compromising their quality of life.

Europe is striving to be the first **climate neutral and resilient continent by 2050 and** divert undesirable climate change and environmental degradation. Cohesion policy will be at the forefront of the investment in climate mitigation and adaptation, biodiversity, urban transport infrastructure and railway investments.

In addition, in view of the ambitious 2030 climate and energy targets and current geopolitical challenges, the role of cohesion policy will be of significant importance, next to the efforts of the RRF, including REPowerEU chapters, to save energy, produce renewables, diversify our energy supplies and up- and reskill people for the green transition. More than 11% of the policy's funds will support the boosting of energy savings and increasing energy security via further deployment of renewable energy production.

To succeed, the transition towards **climate neutrality has to be just.** However, the starting points of Member States and regions are not the same. Therefore, on top of the support from the ERDF and the ESF+ the most affected territories are supported by the JTF in order to tackle the specific challenges caused by the transition and avoid growing regional inequalities. This goes hand in hand with the **digital transition**, which will also help increase Europe's competitiveness and reduce our carbon footprint. Very significant amounts will be invested to improve digital connectivity, services and skills, and digitalise companies and public services.

[60] Kohesio (which features standardised data on 1.5 million projects from the 2014-2020 period and where citizens can search on lists and maps) and the Cohesion Open Data platform (which shows the financial progress and achievement indicators of all programmes). Data on both platforms are openly accessible and re-usable.

The policy will also continue supporting modernisation and reforms in our Member States, as a way to increase competitiveness and resilience to external shocks, notably through the implementation of the **country specific recommendations** made in the framework of the European Semester.

The policy objective of a **more social Europe is key not only for a sustainable but also for an inclusive growth**, respecting the fundamental rights of citizens, and the principles of non-discrimination and gender equality, and implementing the Pillar of Social Rights. Cohesion policy will continue to support measures to boost our health, education, strengthen social services, employment and youth employment, skilling and re-skilling, as well to address child poverty.

Cohesion policy plays a key role in promoting overall development and reducing regional disparities in the EU. Based on the outcomes of the RHOMOLO modelling, **the policy is expected to significantly impact the regions most in need**, its primary objective. The estimations suggest that the dispersion of GDP across EU regions significantly declines during the programmes' implementation, with a gap between the most and least developed regions of the EU more than 3.6% lower in 2028. But all Member States receive cohesion funding and benefit from the policy through important spill-overs generated by investments in less developed regions, both directly (through selling investment goods and services) and indirectly, owing to increased purchasing power of households and from increased trade[61].

Now that the programmes, through which cohesion policy funding will be implemented, are adopted, it is time to **build stable project pipelines** to ensure the smooth delivery of the policy on the ground and to realise the gains for our societies and economies. This delivery will be channelled through the **unique place-based approach** of cohesion policy that targets territories and people most in need with tailor-made options. Cohesion policy continues to deliver basic services such as access to healthcare, clean water, education, or transport to regions still facing gaps, as well as promoting the innovation and competitiveness that helps sustaining our economic and social model.

The effectiveness and efficiency of these investments can only be maximised if they are implemented in line with our key principles of democracy, rule of law and partnership. The **fulfilment of the enabling conditions**, is therefore a necessary condition for successful outcomes.

In parallel to and drawing the lessons from the implementation of this new generation of programmes, a reflection will continue on how to evolve and adapt cohesion policy to best deliver on its main goals and remain a pillar of European integration and social and territorial development across the whole EU territory.

[61] See Annex 6 and DG REGIO Annual Activity Report 2021, p. 13.