Is the Purpose of Cohesion Policy Changing? The Goals of Cohesion Policy in the Reports of the European Parliament

An effective cohesion policy is the backbone of the common market and European economy in general. It mitigates the negative effects of economic integration by strengthening the weakest links in the chain of European economic cooperation. The significance of cohesion policy is evident, however, there are worrying tendencies weakening its effectiveness. Not only does the Multiannual Financial Framework have less nominal resources allocated for cohesion in general, but the focus, objectives, and recipients seem to be shifting as well. By introducing the objectives of other policy fields into cohesion policy and deviating its resources for short-term crisis management, the development of regions and their cohesion seems to become a secondary, subsidiary objective. Without cohesion policy, the costs of accelerated economic integration can become unbearable for certain parts of the EU. Even though the European Parliament does recognise this tendency, it sends mixed signals during legislative and non-legislative procedures. There is only one solution for the change in the nature of cohesion policy and thus its hollowing-out – a strict separation of cohesion and non-cohesion goals and their allocation in the EU budget.

Keywords: European Union Law, Cohesion Policy, European Parliament, European legislation, ERDF, MFF, reform

Introduction

The cohesion policy of the European Union has always been facing fundamental debates and reforms during previous waves of enlargement of the European Union. Once again, the question of enlargement is high on the European priority agenda. The European Council has decided to open accession negotiations with Ukraine and Moldova and to grant the status of candidate country to Georgia in December. The level of future
cohesion between regions of the EU and regions of the countries aspiring to be members of the EU is significant.

Cohesion policy underwent changes since its establishment, much like the role, functioning, responsibilities, nature and powers of the European Parliament. The predecessor of the European Parliament, the European Parliamentary Assembly was established as a consultative body of a regional international organisation. Since then, its powers have significantly developed; it participates on an equal footing with the Council of the European Union in legislative procedures (co-decision). It initiates legal acts in specific fields like its own composition, election regulation, or the European Ombudsman’s statute.\(^3\)

It has also requested for more power in its proposal for the amendment of the Treaties.\(^4\)

Since the establishment of the cohesion policy, the role of the European Parliament has been increasing in this field as well. The Member States are the most significant actors, acting through the Council. They agree on treaty reforms, the Multiannual Financial Framework (MFFs) and policy regulations and determine the direction of the policy and its financial resources. Still, the European Parliament is an advocate of regional policy\(^5\) and increased spending in the field of cohesion policy and participates in the adoption of cohesion legislation.\(^6\)

Another important player is the Commission, which had a key role in keeping cohesion on the agenda after the Rome Treaty and thus in the establishment of the European Regional Development Fund (ERDF). It advocates for increased spending, policy reforms, initiates policy proposals, and functions as an intermediary in intergovernmental budgetary and legislative negotiations, favouring stronger and well-founded cohesion policy. Furthermore, the Commission plays an important role in the multi-level process of implementing cohesion policy.\(^7\)

Due to the initiatives of the European Commission and through the positions of certain Member States, cohesion policy is undergoing changes. As a coordinated community solution to the disparity, imbalances between the different regions in Europe was the first and main objective of regional policy during its establishment. This goal dates back to the 1960s when it was already featured in the reports and communications of the European Commission.\(^8\) In 1975, the regulation regarding the ERDF came into force supporting investment in small enterprises and infrastructure creating at least 10 jobs, and investment in mountainous areas that are also eligible for the agriculture guidance fund. In 1988, after the accession of Greece, Spain and Portugal, the Structural Funds were integrated into an overarching policy, the cohesion policy, with the goal of focusing on the development of the poorest regions. The original goal of the cohesion policy (and Regional Policy) was, therefore, to support the development of the most

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3 Corbett et al. 2016: 3–11.
5 Cohesion policy and regional policy are often used interchangeably, although there is a difference between the two terms. The historical development of the two expressions is different, and the focuses and scopes of the two are somewhat distinct, but both policies work for promoting balanced development, economic growth and social inclusion, taking regions as a basis in many cases. Klug 2006: 68.
backward regions and thus help the economy and the common market of the European Community as a whole.⁹

If we look at the regulations currently in force in this field and the discussions regarding the possible reforms of cohesion policy, the nature and main objectives of this field, the goal and justification of the European legislators seem to be shifting. General policy objectives seem to be making their way into the regulations and rules of cohesion policy, and the list of the recipients seems to be changing as well. If we assess the resolutions and reports, thus the aim of the European Parliament, these changes become even more tangible.

The “raison d’être” of European cohesion policy

Cohesion as a concept did not have a precise definition before it was introduced into EU policy and EU law, but over time, a practical definition emerged. Cohesion is “the degree to which disparities between the different regions of groups within the European Union are politically and socially tolerable”.¹⁰ It has three dimensions: economic, social, and territorial.¹¹

The Rome Treaty did not include any reference to cohesion policy, or to strengthening the cohesion between the regions as a goal, only the harmonic economic development of its member states. There was no need for cohesion policy in a community that did not face the problem of having regions with differing levels of economic development. After the concept of the monetary Union was laid down in the Werner Plan, the first enlargement and the effects of the economic crises, it was evident that there was a need for the support of the least-developed regions in the economic cooperation of the European Communities. The European Regional Development Fund was established in 1975 to help mitigate regional economic and social disparities and support necessary structural changes. The goal was to decrease differences in levels of development on a general level. It was supplementing the European Social Fund (1957) focusing on promoting employment and later the European Agricultural Guidance and Guarantee Fund and the Financial Instrument for Fisheries Guidance.¹²

With the accession of the Mediterranean countries, the differences in the levels of economic development of the Members within the European Communities became tangible. The 10 most developed regions had three times higher GDP rates than the 10 least developed ones. The acceding countries emphasised their demand for support to mitigate their economic differences. Integration in itself can magnify the differences between regions; reaching higher levels of it can come with a cost for the less developed regions. Structural and cohesion support helps the cohesion between regions, thus it

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enhances the positive effects of economic integration. The ERDF was not enough to serve this purpose. The Single European Act laid down the foundation of regional policy by incorporating economic and social cohesion as a goal in the Treaties.\textsuperscript{13}

Article 174 TFEU states that: “In order to promote its overall harmonious development, the Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion. In particular, the Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favoured regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.”\textsuperscript{14}

Article 175 TFEU states furthermore that “formulation and implementation of the Union’s policies and actions and the implementation of the internal market shall take into account the objectives set out in Article 174 and shall contribute to their achievement”.\textsuperscript{15}

According to Article 176 TFEU, the European Regional Development Fund is intended to help “redress the main regional imbalances in the Union through participation in the development and structural adjustment of regions whose development is lagging behind and in the conversion of declining industrial regions”.\textsuperscript{16} Article 177 TFEU is the legal basis of the Cohesion Fund, providing financial contributions in the fields of environment and trans-European networks.\textsuperscript{17}

The historical development of cohesion policy and the legal norms in force show, therefore, that the reason for establishing cohesion policy was to mitigate the differences of economic (and other types of) development between the regions of the European Community, to reduce the disparities between the regions, also helping to realise the common market and mitigate its negative side effects. If we look at the legislation in force in this field, the positions of the EU institutions and the discussions regarding future reforms, there seems to be a shift in the main objective of cohesion policy.

The erosion of cohesion policy?

The EU has been facing a stream of challenges in the past years and decades, like Brexit, the migration crisis, rule-of-law debates, climate change, a global pandemic, a war in its neighbourhood and energy crises. This leads to the necessity of preparing the long-term budget for the post-2020 period for crises and challenges. There is an argument that this should include changes in cohesion policy as well as the most important EU investment
The connection between the crises and challenges of the European Union and cohesion policy is inevitable. However, the emphasis is resting on the nature of the changes to cohesion policy.

Authors referenced the problem of the shifting goals and nature of cohesion policy. Wolfgang Petzold argues that the reform of Cohesion Policy opens avenues for radical change as there is pressure to re-design this policy due to new mechanisms stemming from the Recovery and Resilience Facility. Ildikó Egyed and Zsuzsanna Zsibók argue in 2023 that the crises of the last one and a half decades changed the direction of the cohesion policy of the EU significantly. This was already present during the economic crisis of the second part of the 2000s. During the cycle of 2007–2013, the scope of the policy was already changed to include developed regions as well. This is important according to these authors, as the support for the European integration might weaken in case cohesion policy does not seem to be effective. The changes in the MFF and new priorities also affect Cohesion Policy significantly. These changes are tangible in the communication, workings and adopted legislations of the EU institutions as well.

The President of the European Commission, Ursula von der Leyen, declared in her political guidelines that the European Union needs to reach the goal of climate neutrality by 2050. The Just Transition Fund, established by Regulation (EU) 2021/1056 of the European Parliament and of the Council of 24 June 2021 introduced a new goal into regional and cohesion policy, namely supporting regions in the transition towards climate neutrality, focusing on regions decreasing their dependence on fossil fuels and greenhouse-gas-intensive industrial technologies. Thus, cohesion policy became a tool for reaching the objectives of another policy field. Allocation criteria are based on industrial emissions, regions with high carbon emissions, employment in coal and lignite mining, and other polluting fields are analysed for the allocation of such funds. Through this process, economically more developed regions can receive funding from cohesion policy as well.

Regulation (EU) 2022/562 of the European Parliament and of the Council of 6 April 2022 amending Regulations (EU) No 1303/2013 and (EU) No 223/2014 as regards Cohesion’s Action for Refugees in Europe (CARE) also demonstrates the reshaping of the goals and purpose of cohesion policy. The justification of the regulation describes that the recent military aggression by the Russian Federation against Ukraine has fundamentally changed the security situation in Europe, and there is an inflow of refugees to the Member States, on top of the economy still trying to recover from the Covid–19 pandemic. Member States are able to finance investments under cohesion policy programmes to tackle the challenges of migration. The justification proceeds to argue that it is necessary to make use of the ERDF, ESF and FEAD resources more flexible, taking

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18 Petre 2021: 16.
19 Petzold 2022: 122.
22 Von der Leyen 2019.
into account the urgency to address migratory challenges. This constitutes a redirection of funds meant to strengthen the cohesion between European regions and to develop the poorest regions to support the common market.

The 2020 coronavirus outbreak has greatly reshaped the structure of the MFF, leveraging 2014–2020 cohesion funds to be able to agree on the Next Generation EU Package and setting up the Coronavirus Response Investment Initiative.\(^\text{26}\)

The regulation on the European Regional Development Fund (ERDF)\(^\text{27}\) states that the objectives pursued need to promote “improving the quality of the environment”, referencing the 2015 Paris Agreement on climate change and the UN Sustainable Development Goals. Operations under the fund need to contribute 30% of the overall financial envelope to climate objectives, and operations under the Cohesion Fund need to contribute 37% of the overall financial envelope to climate objectives, with the ultimate goal of having “a climate-neutral Union by 2050”. It also describes demographic and migration dynamics, stating that the EU migration policy requires a common approach and that the ERDF should pay attention to demographic processes, ensuring consistent support for solidarity between Member States managing migration. There are further objectives from other policy areas in different regulations as well in the field of cohesion policy.\(^\text{28}\)

This changes the nature of cohesion policy significantly and uses its funds for different objectives than its original reason for existence. Cohesion policy was not intended as a crisis management instrument, there are separate tools for such purposes with separate dynamics and timing. Quite the contrary – as the previous chapter has demonstrated – it should serve as an instrument to help less developed regions mitigate the negative effects of integration and to be able to participate in the economy and common market of the EU with their full potential, extending the economy of the EU as well. The nature of cohesion policy is long-term, an investment in the economic development of regions and thus into the economic growth of the single market as a whole. However, crises and the realisation of policy goals require a different perspective, a short-time, rapid reaction to events occurring, or rapid, policy-oriented steps to guide the EU in a different direction. Financing the goals presented by the European Commission, like the goal of climate neutrality by 2050 and the European Green Deal, or the cost of digital transformation and tackling demographic processes either by reducing the budgetary share of or using cohesion policy as an instrument for the realisation of these and other policy objectives undermines the core objective of cohesion policy.

The position of the European Parliament

The new MFF foresees commitment appropriations for economic, social and territorial cohesion in a total of €330 billion in 2018 prices, which is 30.74% of the entire EU budget for 2021–2027. Cohesion policy was subject to a 6% nominal increase, however, it faced a decrease of 7% in real terms. This means an overall cut in funding, which was not

\(^{26}\) Petre 2021: 18–19.

\(^{27}\) Regulation (EU) 2021/1058.

welcomed by other EU institutions, such as the European Parliament, expressing support for the maintenance of the same level of financing for this field. Furthermore, instead of 11 thematic objectives, the European Commission suggested modernising cohesion policy and building it on five investment priorities for the period of 2021–2027, six less compared to the previous period. The majority of the CF and ERDF will be targeted to achieve the first two objectives, “a smarter Europe” (includes, for example, enhancing digitalisation and innovation) and “a greener and low-carbon Europe” (includes fighting climate change and supporting circular economy).

The European Parliament adopted an own-initiative (INI) report in 2022, 2022/2032(INI) on the 8th Cohesion Report of the European Commission. According to the INI report, it is necessary to provide at least the same level of funding for the 2021–2027 funding period, with additional resources for the Just Transition Fund to be created. The MEPs stated that cohesion policy should not be a tool for making up for shortcomings in budgetary flexibility or for budgetary cuts due to various crises. The EU adopted measures in response to the Covid–19 pandemic (for example the Coronavirus Response Investment Initiative, or the Recovery Assistance for Cohesion and the Territories of Europe). It also mentions the Cohesion’s Action for Refugees in Europe. The European Parliament realises the problem of using these funds for short-term crisis management instead of maintaining cohesion policy as a long-term investment policy developing regions.

In the INI report on cohesion policy 2014–2020 – implementation and outcomes in the Member States [2023/2121(INI)], the European Parliament states that cohesion policy investments have resulted in unparalleled positive impacts on regions. It also states that cohesion policy is at a turning point, it must compete with other instruments and delivery models and is expected to deliver on a growing set of long-term priorities, but it is increasingly used for tackling emergencies. In Article 1 of the report, the text states that “cohesion policy should remain the EU’s main instrument for reducing disparities and stimulating regional growth”, but it also states that cohesion policy should “continue to be a key contributor to supporting recovery from symmetric and asymmetric shocks”. It does call, in the same article, for a “clear demarcation between cohesion policy and other instruments in order to avoid overlaps and competition between EU instruments” and that “there must be an increase in the overall cohesion budget and in the MFF’s share of the policy compared to the 2021–2027 programming period”. In Article 3, it emphasises that “the cohesion policy budget should not be used for new non-cohesion policy instruments and programmes, either within or outside of the MFF” and that flexibility should be a bottom-up process initiated by the Member States or specifically its regions. It lists how cohesion policy became essentially a crisis management tool, as the

30 The other three objectives are “a more connected Europe” (digital connectivity, sustainable urban mobility), “a more social Europe” (facilitating the integration of migrants, youth’s access to employment) and “a Europe closer to its citizens” (fostering locally led development). Petre 2021: 18–19.
31 European Parliament 2022b.
32 Széchy 2023.
33 European Parliament 2024.
34 European Parliament 2024.
The Coronavirus Response Investment Initiative (CRII and CRII+) allowed Member States flexibility, and in 2022 flexibilities were introduced through CARE and FAST-CARE, helping Member States to assist people fleeing from Ukraine. The 2014–2020 framework was also modified to help vulnerable households and SMEs as a part of RePowerEU.

In another report of the house, the Implementation of the 2021–2027 cohesion policy [P9_TA(2022)0113], the European Parliament recalls that cohesion policy instruments are important to fight climate change, to support the realisation of the objectives of the Paris Agreement, the goals of fair and inclusive green and digital transformation and to counteract the loss of biodiversity.

On 24 June 2021, the regulation on the European Regional Development Fund (ERDF) and Cohesion Fund 2021–2027 was adopted. During its second reading, the European Parliament accepted the position of the Council. Parliament proposed the addition of a new “Tasks of ERDF and Cohesion Fund” article, where the least favoured regions lagging behind would receive help to develop and decrease the disparities between regions, particularly in the field of environment in line with the European Green Deal. Regarding “thematic concentration”, policy objective 2 aims for a “minimum spending target of at least 30% in the field such as climate action and circular economy and with a special focus on biodiversity spending up to 10%”. The ERDF and Cohesion Fund shall not support investment related to fossil fuels, with some exceptions. Furthermore, the ERDF under sustainable urban development and environmental goals will support activities that respect the climate, biodiversity and environmental standards, the obligations of the Paris Agreement and contribute to reaching the UN Sustainable Development Goals as part of reaching the objectives of the European Green Deal. ERDF will be available to adopt integration measures protecting the rights of migrants. Temporary measures will allow for the adoption of measures responding to exceptional or unusual circumstances by supporting SMEs.

The report on the gender dimension in Cohesion Policy [2020/2040(INI)] calls on Member States to take gender equality into account when developing cohesion policy programmes. It declares that it is necessary to identify priority areas that contribute to gender equality. Programmes need to pursue gender equality opportunities. It demands concrete targets on gender equality objectives and ex-ante requirements of developing a national gender equality strategy in this field.

Ultimately, the European Parliament expressed a mixed position in its different reports and votes on legislative files regarding cohesion policy. Even though it contested the new MFF decreasing the nominal value of funds allocated for cohesion policy, it did accept the new allocation in the end. It also supported the prioritising of objectives spilling over from other policy areas. Furthermore, the Parliament did state on multiple occasions that cohesion policy should not be a tool for making up for shortcomings in budgetary flexibility, for budget cuts, or using the resources of this policy field to attain the goals of other ones in general. It stated that cohesion policy is meant

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37 European Parliament 2021b.
38 European Parliament 2021c.
to be a long-term investment into the development of European regions and thus the economy of the EU as a whole. It realises that cohesion policy is at a turning point, and its reform will determine if its core function and objective will remain the same or not. However, it did not take any meaningful steps to steer Cohesion Policy into the right direction (for example through adopting resolutions specifically dedicated to warning the European Commission). It expressly states that cohesion policy should remain the main instrument for reducing disparities between regions, and calls for avoiding overlaps between EU instruments, a “demarcation” between cohesion policy and other policies. In spite of this, the European Parliament still references goals like green and digital transformation, the loss of biodiversity, climate action, gender dimension and managing migration. The European Parliament did support the usage of cohesion funds for short-term crisis management objectives as well. In the end, the focus of cohesion policy seems to be changing from the development of regions to attaining other policy fields. This trend is also worrying, considering that the Parliament has more and more influence in this field.

Conclusion

A fundamental change is taking place in cohesion and regional policy. The fundamental goals and objectives of the legislator and the whole policy are shifting and the recipients of the funds have as well. Not only less developed regions can receive funding from the instruments of cohesion and regional policy, but developed regions as well, through the introduction of environmental and other policy goals. It does not only focus on the development of poor and backward regions, but it has evidently become subjugated to political priorities of a different nature, a tool for other policy fields to reach their own objectives. If there is not enough funding in the MFF and the yearly EU budget for certain goals and unexpected crises, the resources and funds of cohesion policy can come to the rescue – at the price of the efficiency of reaching its original goals.

The European Parliament has an influence on the legislation in the field of cohesion policy. After analysing its positions during legislative and non-legislative procedures, it becomes evident that it is sending mixed signals. It does declare that the long-term investment in regions is important, and cohesion policy cannot be hollowed out and used for short-term policy goals and crisis management, but still, it lists objectives for cohesion policy that belong to other fields, thus subjugating it to other policies and losing focus from the development and cohesion of European regions.

Regional and cohesion policy was invented for a reason. Without mitigating the differences between different regions and different parts of Europe, European economic integration can pose unbearable burdens for certain regions. A chain is just as strong as its weakest link. The common market cannot function properly in the long run if the regions with economic data below the EU average will not receive help to reach the development level of the rest. A possible solution would be a strict separation of the goals of cohesion policy and other policies, but the current tendencies seem to be going in the opposite direction.
References


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Legal sources


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