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The Essence of Unity?
The Historical Evolution and Future Perspectives of Cohesion Policy in the EU

The Cohesion Policy of the European Union has a long history in European integration. New enlargement waves, internal and external challenges, economic downturns and other crises have consistently required a redefinition of the goals and instruments of Cohesion Policy. It is primarily recognised as one of the most prominent distributive policies of the EU and one of the largest development policies of the world. The aim of this article is to provide a basis for understanding this complex policy area by offering a historical perspective and outlining the future context and challenges. After establishing a suitable theoretical framework, the evolution of the policy is explained by examining the policy goals and objectives in different integration eras, as well as providing an overview of Cohesion Policy's role in the EU's budget. Following a summary of the main management methods, the article assesses the future perspectives of the policy.

Keywords: Cohesion Policy, historical evolution, policy goals, policy implementation, post-2027 perspectives

Introduction

By definition in the Cambridge Dictionary, cohesion is the essence of unity: "a situation when the members of a group or society are united".[3] When translated into EU jargon, cohesion in the European Union refers to a state where the social and economic disparities among constituent regions are minimised.[4] According to Article 174 of the Lisbon Treaty, cohesion emerges as a necessary condition for development in the European Union. "In order to promote its overall harmonious development, the Union shall develop

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[3] Definition of cohesion in Cambridge Dictionary: https://dictionary.cambridge.org/dictionary/english/cohesion

[4] Bache 2015: 244.

and pursue actions leading to the strengthening of its economic, social, and territorial cohesion. In particular, the Union shall aim to reduce disparities between the levels of development of various regions and the backwardness of the least favoured regions."[5]

As one author rightly emphasises: "A problem with the definition of Cohesion Policy is that it is often used synonymously with regional and structural policies, although each has a different meaning."[6] As it will be elaborated in more details in this article, while the birth of regional policy can be dated back to the creation of European Regional Development Fund in the mid-seventies, the birth of Cohesion Policy occurred in the late eighties. This was the time when the Single European Act established the legal grounds for the policy, and Jacques Delors, the Commission President at that time, launched the policy regime. For Delors, cohesion was truly the essence of unity, a key pillar for advancing integration in Europe. In a 2012 interview, Delors explained his view on Cohesion Policy in his time: "The level of divergence of economic development in certain regions was always the reality we faced and Cohesion Policy was designed to enable the underdeveloped regions to withstand competition and at the same time contribute something to Europe. All the proposals we developed followed my overriding triptych principles of: 'Competition, cooperation and solidarity'. You cannot remove one of those elements and successfully build Europe."[7]

Since then, Cohesion Policy has become the largest development policy in the world and one of the most visible policy of the European Union.[8] As this article argues, this is a policy area that has been subject to constant changes in terms of both goals and specific objectives and policy instruments, due to internal challenges of European integration and external circumstances, sometimes crises. The specific nature of the European Union's political system, the fact that its borders are constantly re-defined due to new enlargement waves and, since Brexit, Member States' exits too, also puts the challenges of Cohesion Policy in a constantly changing context. One can agree with the argument that: "The EU's Cohesion Policy has from the beginning been a moving target, with multiple funds distributing ever-larger amounts of EU funding according to an ever-more elaborate set of policy guidance."[9] How can we interpret this "moving target"? What kind of EU policy is this? How is Cohesion Policy linked to other policies of the European Union? Can we regard Cohesion Policy, as it was regarded in the 1980s and the 1990s, a "side payment to other, bigger EU policies" like the Single Market or the Economic and Monetary Union, a financial transfer from the rich to the poor?[10] Or rather as it is currently viewed, a policy that aims to reach specific sectoral policy objectives of the given eras of integration, like the green and digitised Europe.

The aim of this article is to provide a basis for understanding this complex EU policy by putting the milestones of the Cohesion Policy into historical perspective and outlining the future context and challenges for this policy. After providing a suitable theoretical and conceptual interpretation, the evolution of the policy is explained by examining the

5 Article 174, Treaty on the Functioning of the European Union.
6 Bache 2015: 244.
7 Delors 2012.
8 Bache 2015: 244.
9 Bache 2015: 245.
10 Borrás–Johansen 2001: 39.

policy goals and objectives in different integration eras as well as providing an overview of Cohesion Policy's role in the EU's budget. After summarising the main management methods of the policy, the article assesses the perspectives of Cohesion Policy in the post-2027 era.

Theoretical framework

The European Union is a unique, sui generis political system in every respect.[11] The EU's institutional structure differs significantly in both its internal relations and its functions from the decision-making arrangements and political systems known at national level. The policy-making process, the range of actors and the nature of policy-making are different from those at national level. In the European Union, there is governance without government:[12] the treaties lay down clear rules and procedures for achieving policy objectives, creating and implementing new policies. However, implementation is not a responsibility of EU institutional actors alone, but of actors in a multi-level governance system,[13] including Member States and sub-national at both vertical and horizontal levels. However, the way in which European governance works varies. The policy area and the related decision-making mode always determine the form of governance.[14] Under the division of competences established by the Lisbon Treaty, the EU institutions and the Member States have different roles in the decision-making process for each policy. In the case of Cohesion Policy, we are talking about shared competences between the Union and its institutions and the Member States in this policy area.

Cohesion Policy can easily be interpreted in terms of multi-level governance theories, as there is no other EU policy where such a wide range of stakeholders are involved in the policy-making cycle. From the EU's institutional side, the Commission, the European Parliament, the Council as well as the Committee of the Regions are all involved in that. In addition, national governments, regional and local authorities are important stakeholders too, not mentioning the sectoral actors.[15]

To interpret the policy system of the European Union, the authors have developed various typologies. Hix and Høyland classify EU policies into a fivefold typology. They distinguish between (1) regulatory, (2) expenditure, (3) macroeconomic, (4) interior and (5) foreign policies.[16] Based on that typology, Cohesion Policy belongs to the expenditure policies since it transfers financial resources to less developed regions along specific objectives. However, it is more than just an expenditure policy. It is strongly linked to macroeconomic policies like the EMU and with its sectoral goals to interior policies, like employment.

11 Arató–Koller 2023: 15–30.
12 Arató–Koller 2019: 46.
13 Hooghe–Marks 2001.
14 Koller–Varga 2022.
15 Bache 2015: 258–259.
16 Hix–Høyland 2011.

Wallace and Reh identify another five categories of policy modes.[17] They differentiate (1) the classic community method, (2) the regulatory mode, (3) the distributive mode, (4) policy coordination, and (5) intensive transgovernmentalism.[18] Where does Cohesion Policy fit in that typology? As Bache argues, it is a hybrid policy, which is closest to the distributive policy mode.[19] There is a strong element of Community method, when then European Commission designs the policy, nevertheless, in that process, national governments and bargaining are essential factors. Regulatory mode is also activated when the regulatory framework is established. Nevertheless, Wallace and Reh, like Hix and Høyland also underline that Cohesion Policy is mostly linked to the distributive policy mode of the EU. Finally, the strengthening of policy coordination, involvement of soft-policy incentives and the so-called intensive transgovernmentalism are also observable. Ongoing and constant cooperation creates a much deeper cooperation of the Member States, which is better understood as transgovernmentalism. In this decision-making method, the European Council plays a central role in setting policy goals and orientations. Intensive transgovernmentalism is further strengthened when crises and unforeseen external circumstances occur, as the need for united action becomes even more pressing.

The historical evolution of Cohesion Policy

Regional policy received relatively limited attention from the founder states. Although the Treaty of Rome presented the founders' goal to achieve "harmonious development by reducing the differences existing between the various regions and the backwardness of the less favoured regions",[20] how to realise this ambition stayed long uncertain. However, regional equality grew notably with the first accession (Denmark, Ireland, United Kingdom). To help poorer regions catch up, a European Regional Development Fund (ERDF) was created.[21] This was not yet a supranational policy; projects that national governments chose were quasi-automatically charged against pre-set national quotas. The factors spurring a radical turn did only converge in the late 1980s.

The Single European Act laid down the legal grounds for Cohesion Policy and the Single Market programme. New Member States of the second enlargement (Greece, Spain, Portugal) came with lower economic output and living standard levels. They were feared to be strongly pressurised by negative externalities[22] stemming from their entry to the Single Market. In 1988, the Delors Commission introduced a landmark reform in Cohesion Policy;[23] this founded a modern policy regime, underpinned by distinctive principles still guiding policy delivery today. A new multiannual budget, supplemented by

17 Wallace–Reh 2015: 98.
18 Wallace–Reh 2015: 98.
19 Bache 2015: 258.
20 Preamble of the Treaty of Rome.
21 Bachtler–Mendez 2020.
22 Huguenot-Noël et al. 2017: 9.
23 European Commission 1987.

multiple increases to the policy budget, created an adequate, predictable financial framework. Member States obtained national allocations, and in line with the *programming* principle, these were converted into five (later seven) years' operational programmes. The principle of *concentration* helped to focus on a limited number of development objectives in regions most in need. The principle of *additionality* obliged maintaining the preceding level of domestic regional development investments as well as matching the community funding. The principle of *partnership* spurred the involvement of regional and local partners in goal setting and execution.[24] In addition, the various funding streams[25] were unified under the Structural Funds framework and linked to specific objectives. The Maastricht Treaty fortified economic and social cohesion as an explicit Treaty objective. The economic and monetary union goal entailed the tailoring of policy instruments; the scope of infrastructure support was widened, and Cohesion Fund was launched to assist the poorest Member States in promoting infrastructure development while in parallel consolidating their public finances.

How did the next, ever-largest enlargement change circumstances? The integration of Central and Eastern European countries brought interregional disparities to unprecedented levels. To keep spending under control, greater concentration was applied to policy objectives and the least-favoured regions. A new financial *concentratio*n (automatic decommitment) rule was installed, forcing Member States to timely draw down annual programme allocations. New Member States started their programmes in January 2004, their good progress and increased bargaining position ensured that their specific needs (e.g. higher co-financing rates) were embedded in the 2007–2013 regulations.[26]

The Lisbon Treaty complemented the cohesion objective with the territorial dimension and defined specific territorial challenges. Preparations for the 2014–2020 period started in the aftermath of the financial crisis, the ramifications of which, combined with the adoption of the EU 2020 strategy, concerns over lacking results, excessive bureaucracy and growing misuse of the funds[27] led to a major policy reform in 2013. To advance efficacy, the thematic concentration rule directed policy funds towards 11 strategic priorities. The strategic framework (introducing national investment strategies in the form of a Partnership Agreement), intervention logic and ex-ante conditionalities were central to programme quality and delivery.[28] Linking the Cohesion Policy and EU economic governance frameworks aimed at creating a better investment environment. The new performance framework helped to monitor targets and connecting the release of EU funds to progress achieved. Wider use of financial instruments promised higher quality projects; integrated territorial tools permitted a holistic approach to resolving complex, place-based problems.[29]

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24 Brunazzo 2016.

25 The Single European Act originally defined the ERDF, EAGGF, and ESF as key financing instruments to promote cohesion.

26 Nyikos 2017.

27 Nyikos–Kondor 2019: 114.

28 Kah et al. 2015.

29 Avdikos–Chardas 2016.

The role of the policy in promoting the Green Deal (2019) priorities (twin transition) deepened with the pandemic and the war in Ukraine. Achievement-orientation is now underpinned by concentration on five key policy objectives, greater flexibility to use instruments across regions or funding streams, and a redesigned performance framework. Obligations to adequately deal with irregularities, conflict of interest and fraud have been substantially tightened implying a reinforced strategic approach and extensive institutional capacity building in Member States.

The successive crises (financial and migration crises, Covid–19 pandemic, war in Ukraine) have left their marks on the policy. *First,* in crises, governments had to take unplanned actions fast. Economic downturns triggered large-scale public interventions to save firms and jobs. The recent health disaster prompted massive investments in life-saving equipment and supplies. The migration crisis and the war in Ukraine caused an immense influx of third country nationals; border control, social, health and educations services had to be scaled up. *Second,* fiscal consolidation measures in recession years led to major cuts in spending programmes. Cohesion Policy funds have proven crucial to continued public investments. *Third,* crises have jeopardised project execution. Dried lending channels, shrinking consumption forced numerous beneficiaries to give up their plans. Social distancing rules and spiralling inflation have also created immense implementation difficulties. The adaptability of the policy cannot be overstated. European institutions and Member States alike have found innovative ways to support hard-hit economies and communities so that they can navigate and recover from the crises. At the same time, the routinised diversion of programme focus has weakened attention to core programme objectives of regional convergence and sustainable growth.

Table 1: Evolution of modern Cohesion Policy instruments in the context of internal and external challenges

Period	Key changes	Context
1988–1993	– new allocation system (NUTS 2) and key implementing principles introduced – first regulation on integrated governance framework of Structural Funds – considerable leeway for Member States – prioritisation	*Implementation of the Single European Act* *Assimilation of Greece, Portugal and Spain into the Community* Launch of the Single Market programme Delors Package I Maastricht Treaty
1994–1999	– improved territorial targeting – broadening of thematic priorities – considerable leeway for Member States in prioritisation	Delors Package II Joining of Austria, Finland, Sweden European Employment Strategy
2000–2006	– ring-fenced allocations for old and new MSs – greater concentration (reduced objectives, least-favoured regions) – rules of capping and financial concentration (N+2) – new entities: managing authority, paying authority, winding-up body, intermediate body (optional) – extension of expiry date	*Publication of the Agenda 2000 budget proposal* Accession of EU10 Lisbon Agenda adopted

Period	Key changes	Context
2007–2013	– mono-funded programmes installed, integration of Cohesion Fund, specific needs of EU10 addressed – new entities introduced: audit authority, coordination body (optional)	Financial crisis, adoption of EU 2020 strategy, Accession of Bulgaria, Romania and Croatia
2014–2020	– unified regulatory framework (CPR) – top-down (thematic) objectives, Partnership Agreement, intervention logic, performance framework, upgraded conditionality system, reinforced evaluation, integrated territorial instruments – simplification (simplified cost options), designation – upgraded visibility obligations – shift to annual financial implementation regime – increased flexibility to address the pandemic *– extension of programme closure deadline*	Post financial crisis challenges, Migration crisis, EU Green Deal adopted, Covid–19 pandemic, Country Report 2019 Annex D issued, Next Generation EU adopted, New Conditionality Regulation passed
2021–2027	– reinforced conditionalities, mid-term review and flexibility reserve – simplification: designation, major projects, annual reporting discontinued – projects of strategic importance, administrative capacity building – delays in programme start – ongoing regulatory revisions to address crises and promote strategic alignment	War in Ukraine, reoccurring migration challenges, launch of Resilience and Recovery Facility, ongoing launch of new EU initiatives

Source: compiled by the authors based on Manzella–Mendez 2009; Brunazzo 2016; Petzold 2022.

Policy goals and objectives

Cohesion Policy objectives largely overlapped with regional eligibility conditions for a long time. As Table 2 illustrates, the 1988 reforms introduced five priority objectives, partly reflecting strong spatial focus, partly general socio-economic problems (e.g. long-term unemployment).[30] The 1994–1999 regulations captured challenges of rural territories, industrial restructuring and low population density. For the 2000–2006 period, a transition mechanism was created to compensate regions which were affected adversely by the statistical effects of the EU10 accession. In the period 2007–2013, this was cemented into a distinct transition region category and at once eligibility of funding was extended to all regions in the EU. Alignment with EU 2020 shifted the balance in favour of cross-cutting thematic objectives. Spatial targeting has continued to weaken,[31] with loosened relationship between policy goals, objectives and geographical scope of eligibility loosened, and the national dimension has become increasingly dominant.

30 Brunazzo 2016.
31 Begg 2018: 3.

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Table 2: Evolution of Cohesion Policy goals and objectives

Period	Objectives
1988–1993	Objective 1: regions lagging behind Objective 2: regions affected by industrial decline Objective 3: long-term unemployment Objective 4: labour market integration of young people Objective 5: (a) adjustment of agricultural structures and (b) rural areas
1994–1999	Objective 1: regions lagging behind Objective 2: regions affected by industrial decline Objective 3: long-term unemployment, integration of young people, persons exposed and gender equality in the labour market Objective 4: adaptation to industrial and production system changes Objective 5: rural development by agricultural and fisheries sector rural areas Objective 6: sparsely populated regions
2000–2006	Objective 1: regions whose development is lagging behind Objective 2: economic and social conversion (areas with structural difficulties) Objective 3: Training systems and employment policies
2007–2013	Convergence (least-developed regions) Regional competitiveness and employment (other regions) European territorial cooperation
2014–2020	Goals: Investment for growth and jobs European territorial cooperation Thematic objectives: 1. Research and innovation 2. Information and communication technologies 3. SME competitiveness 4. Low-carbon economy 5. Climate change 6. Environment protection and resource efficiency 7. Sustainable transport 8. Employment and labour mobility 9. Social inclusion 10. Education and training 11. Public administration
2021–2027	Goals: Investment for jobs and growth European territorial cooperation (Interreg) Policy objectives: 1. Green Europe 2. Social Europe 3. More connected Europe 4. Social Europe 5. Europe closer to citizens

Source: compiled by the authors based on PETZOLD *2022.*

Close relationship between Cohesion Policy and other EU policies

Cohesion Policy is placed in an interrelated set of EU level – and domestic – policies.[32] To address territorial imbalances, Member States have needed complex and integrated frameworks on multiple fronts. The policy remit has been gradually expanded to accommodate needs for investing in transport, energy, environmental and private sector as well as human capital development. Thematic objectives directed investments towards policy areas linked to smart, sustainable, and intelligent growth. The Green Deal has oriented the policy to promote the green and digital transition and helped adaptation to climate change. The capacity of the policy to fight marginalisation and poverty has also been strengthened, while crises have pushed the policy closer to various emergency management domains.

Horizontal principles serve as vehicles to better the functioning of the society and preserve the environment. They apply across all the programmes and projects. Over time, their scope has markedly expanded. The present principles include the respect of fundamental rights, promoting gender equality, anti-discrimination, optimised opportunities for the disabled and sustainable development, combined with the horizontal enabling conditions of compliance with the Charter of Fundamental Rights and the United Nations Convention on the rights of persons with disabilities (UNCRPD). How do the principles affect the use of the policy funds? They translate into wide-ranging obligations for Member States and project promoters alike. Being inseparable from protecting the Union budget, the *Conditionality Regulation* links the respect of *European values* (rule of law, independence of the judiciary etc.) to the release of funds for Member States.

Public Procurement constitutes a critical component of the Single Market. When public authorities award contracts to companies for the provision of goods, services or works, they need to fully conform with elaborate rules and processes prescribed in the EU and domestic legislation. These purchases often form part of projects that are financed by the operational programmes.[33] Similarly, the enforcement of *State Aid*[34] rules and Cohesion Policy execution have been long intertwined. To prevent distortions to the functioning of the market, the granting of state subsidies to economic operators is strictly limited and tightly regulated. Member States have to ensure that their spending fully accords with the public procurement and State Aid rules, otherwise sanctions apply.

Since its birth, Cohesion Policy has contributed to overlapping sectoral policy goals, greater competitiveness of European firms and higher value for money for public investments. However, the ever-expanding intersections with other policies have come with a price. Cohesion Policy has turned into an overloaded policy, its focus dwindling and its boundaries blurred.

[32] Bachtler-Polverari: 2017.

[33] For further details, see Nyikos 2018b.

[34] For further information, see Nyikos 2018a.

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The MFF and Cohesion Policy

To date, Cohesion Policy has become the most important investment policy in the European Union. Following modest beginnings from 1988 onwards, the multiannual budget cycle and repeatedly increased appropriations have created a solid foundation for the policy. Pending integration of the EU10 motivated a new rule capping available support as of 4% of the national GDP. The 2000–2006 policy budget also ring-fenced allocations for the old Member States, a fraction of which was put aside for the new entrants. Only in the 2007–2013 period were the massive investment needs of the latter group properly addressed.

Between 1988 and 2013, Cohesion Policy allocation increased steadily. Due to a combination of factors, including new challenges and net payers' resistance countries, this trend was disrupted in 2014. Nonetheless, the policy has still got the largest share in the EU budget.

Table 3: The evolution of Cohesion Policy allocation in the EU long-term budget

	1989–1993	**1994–1999**	**2000–2006**	**2007–2013**	**2014–2020**	**2021–2027**
CP allocation in million ECU/Euro	64	168	213 (EU15) 22 (EU10)	347	351.8	330*
Share in MFF (in %) **	22	33	33	36	34	31

**The Heading "2. Cohesion, resilience and values" in the 2021–2027 contains two ring-fenced subheadings. The ceiling on commitment appropriations for sub-heading 2a for economic, social and territorial cohesion is set at MEURO 330. (The subheading 2b resilience and values includes funding of a variety of programmes directly managed by the European Commission with an allocation of MEURO 47.5 million.)*
*Source: European Commission, ** Kengyel 2019 (1989–1993, 1994–1999, 2000–2006, 2007–2013, 2014–2020), European Parliament, 2021 (2021–2027)*

The allocation of the Member States is composed of various funds with distinct implementing provisions. Therefore, their combination is vital for realising specific programme priorities. As Table 4 illustrates, the extension of the policy scope has diversified the landscape of financing instruments.[35] Core policy resources presently include the ERDF and ESF+, their allocation based on regional wealth level, and Cohesion Fund, which is restricted to Member States with a GNI per capita below 90% of the EU average. Recent additions to the funding streams testify quick adjustment to new situations. Regions most vulnerable to the Green Deal transition receive specific assistance via the Just Transition Fund (JTF). REACT EU has aided pandemic-related crisis and repair management measures. New instruments outside the policy confines have largely extended investment opportunities, too. At the same time, the Resilience and Recovery Facility

[35] The original Structural Funds, ERDF, EAGGF, ESF were complemented, brought closer with other funding streams or withdrawn from the Cohesion Policy governance framework.

has created competition with Cohesion Policy for the limited management capacity as this has failed to adjust to the marked rise in funding levels. With subordinating all budgetary resources to Union goals, "compatibility" of the various funds became critical. The 2021–2027 regulations have enlarged flexibility for combining funding instruments within and beyond the Cohesion Policy boundaries.

Table 4: Core and complementary financing instruments

	1989–1993	**1994–1999**	**2000–2006**	**2007–2013**	**2014–2020**	**2021–2027**
ERDF						
ESF/ESF+						
Cohesion Fund						
EAGGF – Guidance/ EARDF						
FIFG-Guidance/EMFG						
REACT EU						
JTF						
ASM, ISF, BMVI						

Notes: In the period 2007–2013, the European Agricultural Fund for Rural Development, which replaced EAGGF – Guidance Section, and the Financial Instrument for Fisheries Guidance were integrated into the CAP framework.
BMVI – Asylum, Migration and Integration Fund; Internal Security Funds; Instrument for Financial Support for Border Management and Visa Policy
Source: compiled by the authors.

The fate of the policy has long intertwined with the Multiannual Financial Framework. By the mid-1990s, estimated costs of the joining of Central and Eastern European countries hardened net contributors' position. The Agenda 2000 budget proposal triggered lengthy debates, which were only resolved at the Berlin European Council meeting in 1999.[36] Since 2007, growing prioritisation given to other policy domains have aggravated the tension. Despite a fundamentally changing context, MFF negotiations have shown great similarities. The so-called net operating budget balance, which shows the difference between a Member State's payment into budget and resources it receives from the budget, has been placed centre stage. Since the 2000s, two major factions have evolved. Net payer countries call for greater efficiency and reallocation for emerging priorities rather than expanding the budget. Net beneficiaries strive to, at minimum, maintain their financial position.[37] The opposing views and corresponding rhetoric have made progressive discussions on the policy increasingly difficult.

36 Bachtler–Mendez 2020.
37 Kengyel 2019: 8.

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Policy implementation in the shared management regime

Cohesion Policy is implemented in the "shared" management mode of the EU budget. Cipriani identifies the following three key components underpinning this regime.

1. *Competencies are divided between the European Commission and the Member States,* they fulfil different roles, and nonetheless they have complementary functions. From the early 2000s to 2014, the balance of power tilted towards the Member States, however, the reforms approved in 2013 have increased the Commission's leeway to influence programme content and delivery.
   Member States are charged with operating *management and control systems* that guarantee the proper use of EU money. EU regulations prescribe the institutions, which Member States need to put in place and how they need to organise their relationship, functions, procedural and performance standards. The 1988 reforms set off a unique construction in terms of spreading decision-making powers vertically and horizontally. Powers from the central government level shifted both to the subnational level and to the European Commission.[38] The partnership principle has been an integral part of the policy accordingly, its modalities have evolved gradually and applied in a context-specific manner,[39] and triumphed in codified standards for partners' engagement in 2014. The principle holds special importance for the multilevel governance model.
   The Commission bears the final responsibility for executing the budget. Its strategic decisions include the release of EU funds. The financial implementation system is based on multilevel controls to ensure that the expenses, which will be paid from EU budget are legal and regular. In case compliance of the expenditure is compromised, the Commission may apply different sanctions, starting with temporary blocking to the final withdrawal of programme funds.
2. *Member States manage and control the EU budgetary funds on a day-to-day basis*. Their authorities organise project selection, conclude and manage grant contracts with beneficiaries, thoroughly check progress and regularity before project expenses are reimbursed. They also monitor and report on programme performance, regularly evaluate and communicate impact of their programmes.
3. *The Commission takes an active role in shaping the conditions of the specific policy instruments, which the EU funds will support*. The importance of drafting the legislative proposal is hard to exaggerate. Despite unceasing simplification efforts, regulations still dictate very elaborate obligations and implementing standards for Member States. Expectations are built into the organisational culture of their delivery institutions and remained resistant to change.

38 Marks 1993.

39 Nyikos–Kondor 2020.

Preparations for the post-2027 era

Preparations for the next budgetary period always bring policy legitimacy issues to the forefront. With its sizeable budget, the policy has become a natural target of reallocation attempts. This has been eased by heavy criticism of its inefficiencies, Cohesion Policy receives far disproportionate blame for economic slowdowns and social malaise in the EU. Choices today are not limited to internal (incremental) reforms; the Recovery and Resilience Facility (RRF) delivery mode is clearly seen as an alternative model. The European Union has recently faced several crises. The question is how effectively and promptly can Cohesion Policy respond to negative effects of such crises? The Eighth Cohesion Report and Cohesion Forum open the way for the policy reflection process. The Report acknowledges that cohesion in the European Union has improved, but gaps remain.[40] The Council communicated its guiding principles on the future of Cohesion Policy in November 2023;[41] the group of high-level specialists invited by the Commission has recently published its proposals.[42]

Cohesion Policy has become the largest convergence programme globally. The policy has funded investments worth of €1,040 billion in the period 1989–2023, supplemented by a budget appropriation of €392 for the period 2021–2027.[43] It has proven fundamental to the EU integration process, and it has demonstrated its capacity to accelerate economic convergence and to drive social progress. How can the policy preserve its relevance in the long run?

The EU is presently facing unprecedented challenges, growing socio-economic divisions, an aging and shrinking workforce, multidimensional costs of green transition and declining competitiveness of the European economy. In view of the gravity of these problems, lessons from the crises, the implementation of programmes and coordination with other funds need to be properly drawn. Revisiting core pillars of the policy cannot be spared either. The right balance between handling long-term structural challenges and fast mobilisation of resources to fight emergency and crises needs to be found. The policy cannot achieve a powerful impact without reasserting its focus and receiving adequate resources in the next MMF. Its budget should be preserved at minimum, but rather raised. The territorial cohesion goal should occupy centre stage. While ongoing discourses suggest continued general eligibility for all regions, stronger emphasis is proposed for the place-based approach, helping less developed regions as well as capturing specific growth constraints (e.g. development gaps, susceptibility to migration, permanent natural or demographic handicaps). Interaction with other policies and instruments will remain essential; policy coordination needs to be strengthened accordingly.[44] Instrumentality and credibility of the policy largely depend on efficient access to support. While present conditionalities are perceived to fulfil a useful role in bettering delivery criteria, the need to discard undue legal obligations is widely recognised. Institutional capacity building at all levels needs to receive greater appreciation.

40 European Commission 2022.
41 Council of the European Union 2023.
42 European Commission Directorate-General for Regional and Urban Policy 2024.
43 European Commission 2024: 25.
44 Council of the European Union 2023.

Hungary will take over the rotating Presidency of the Council at a critical point in time.[45] The publication of the 9th Cohesion Report in 2024 will give added impetus to the preparatory process. On the one hand, the Hungarian Presidency can beneficially influence the maturation of the post-2027 Cohesion Policy concept. On the other hand, Hungary's Presidency priorities and experience of handling structural challenges (e.g. demography, least developed settlements) could bring added value to devising specific methods and effective instruments for hard-to-change structural phenomena. To preserve the place-based, territorial approach, and ensure the Cohesion Policy's position among other policy instruments of the EU are legitimate goals. At the same time, complexity of the funding landscape and, in particular, competition among funding instruments need to be dealt with. Progress in bettering results, unlocking the policy's potential to overcome long-due problems of increasingly pressing nature (e.g. aging societies) as well as in radically cutting back administrative burden at all levels and thus simplifying access to the funds cannot wait any longer.

Conclusions

Cohesion Policy has become the largest convergence programme globally to date and a distributive policy of the EU. A series of regulatory revisions and major reforms have helped the policy to grow into a well-resourced, far-reaching, and modern policy. The policy framework that the reforms of the Delors Commission brought into existence has proven solid and flexible at the same time. The EU multiannual budget has allowed the financing of long-term development goals through strategic plans, operational programmes and projects devised and implemented by the Member States. Management responsibilities have been shared. The Commission maintains strategic decisions, including the transfer of programme funds, while Member State authorities are mandated with the day-to-day operation of the programmes. Cohesion Policy presents a unique multi-level governance model, as the dispersion of decision-making powers has led to the shifting of powers from central governments to the European Commission and subnational entities. The partnership principle has given an additional segment to this cascade, a gradually growing circle of social, economic, territorial, civil sector and academic partners have been invited to participate in programme design and execution.

This basis has enabled the policy to become an essential pillar of the EU integration process and unfold its potential to mitigate regional disparities, create sustainable economic growth and improved livelihoods for citizens. Over the past decades, the policy has gained increasing importance in tackling global challenges and catastrophic risks. Its regulatory framework has been regularly revised to react to both implementation findings and a swiftly transforming environment. This has spurred frequent changes to the policy objectives, scope, instruments, planning and management systems to promote overlapping policy goals as well as to enhance efficacy and regulatory conformity. While this adaptable and flexible framework has firmly entrenched the policy within a complex EU and domestic policy environment and bettered its potential to address unplanned

[45] Navracsics 2023.

developments, concerns over the loss of its focus have been widely shared. The challenge of the future is whether Cohesion Policy can maintain its territorial focus, or will this become more difficult due to growing importance of sectoral objectives?

The future of Cohesion Policy has long been inseparable from decision-making on the EU budget. Prevalent focus on the net budgetary operating balance has diverted attention from discourses on how the policy's potential could be fully unlocked. The current extraordinary circumstances doubtless call for a different approach. The reflection process on the future of the policy is well underway, offering ample ammunition for defining optimised solutions for key policy ingredients like focus, budget size, eligibility and implementing criteria. The Hungarian Presidency will fulfil a critical role in the shaping of the preparations, doubtless enriched by the 9th Cohesion Report and the outcomes of the Cohesion Forum. Presidency priorities and Hungary's experience in tackling common challenges could provide formative inputs to the future construction of Cohesion Policy.

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