Cohesion Policy and the European Semester: a love (or hate) story?

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A whole reflection is needed regarding the relationship between the European Semester and Cohesion Policy. There is a need to look to the potential consequences that could bring to the future of the policy if the link with the European Semester is strengthened. The way the European Semester framework has been adapted for the RRF could be duplicated to Cohesion Policy as the policy might see the inclusion of those features that describe the Recovery and Resilience Facility such as enhancing structural reforms and its performance-based nature.

This paper raises some questions, but at the same time aims to think of the implications the strengthened link between Cohesion Policy and the European Semester could have on the territorial dimension of both instruments. These questions should feature prominently in the debate on the future of Cohesion Policy.

1. Introduction

The European Semester, the EU’s expanding economic coordination framework, has caused lots of headaches in the last years in the programming and implementation of Cohesion Policy. As a framework that once seemed distant from the work and role of regions, it has grown in importance overseeing areas under the remit of regional authorities impacting on the programming and implementation of the Cohesion Policy funds.

The topic is of key relevance on the debate and reflections on the future of Cohesion Policy. Not only because of the direct link between the programming of Cohesion Policy and the European Semester guidelines, but also due to the fact that the European Semester has been used as the main framework for the implementation of the Recovery and Resilience Facility (RRF).

When we look at the post-2027 context, we should perhaps not talk about competition between the RRF and Cohesion Policy. Instead, we could see the merge of both instruments to the extent that we will consider both as one. Despite no official assessment of the instrument, there are lessons that we can already learn from the Recovery and Resilience Facility regarding its design, governance, implementation, and integration in the European Semester. In this regard, the way the European Semester framework has been adapted for the RRF could be duplicated to Cohesion Policy as the policy might see the inclusion of those features that describe the Recovery and Resilience Facility.

This paper raises some questions on the matter, but at the same time aims to provide reflections and some implications to be considered along the discussions that will happen in the coming months. Among others, the European Commission high-level group of specialists on the future of Cohesion Policy is set to discuss the role of Cohesion Policy supporting reforms in the context of the European Semester and in synergy with other EU policies.
1. The involvement of regional authorities is key for effective investments

It might seem repetitive as a message, but it is worth not giving up on the claim that one of the main weaknesses of the European Semester is the lack of regional authorities’ involvement. The current top-down approach not only undermines the legitimacy of the whole framework, but also prevents regional authorities’ ownership of investments and the creation of strategic links between EU funds and regional investment strategies. 

The non-consideration of regions under the European Semester is therefore an actual bottleneck for investment. If regions are not formally part of the European Semester structured dialogue when drawing up national strategic investment plans, regions have less room for manoeuvre in the implementation of EU funds therefore limiting the potential of the instrument itself. The investment guidelines (e.g., Annex D) and Country Specific Recommendations given in the context of the European Semester deserve to be discussed between regional, national, and European authorities collecting the territorial needs and specificities.

Notably, when the work of the Semester affects the implementation of Cohesion Policy. The longstanding investment approach of Cohesion Policy will be reinforced if guiding European documents have been discussed in agreement with regional and local authorities. In this sense, a thorough reform of the framework with a stronger territorial approach should be a redline for any proposal to strengthen the link between Cohesion Policy and the European Semester to succeed. 

2. Cohesion Policy addressing structural reforms

The Recovery and Resilience Facility is about investments and reforms. Cohesion Policy has been so far about investment. Could Cohesion Policy take in this reform approach? This is an important idea that has been floated in the EU Cohesion Policy bubble in the last months.

The European Commission presents annually a set of Country Specific Recommendations (CSRs) per Member State. The CSRs respond to the Commission’s assessment on the main reforms and actions Member States are invited to put in place. If Cohesion Policy takes up this reform approach, the interlinks between the policy and the European Semester will be strengthened. This approach deserves careful consideration but also much caution. Could a reform pillar under cohesion policy imply disproportionate constraints on the programming choices, especially at the expense of regional authorities that are managing authorities or intermediate bodies? Could it result in shifting funds away from territorial needs to finance top-down reforms? These questions deserve a thorough debate to assess whether Cohesion Policy is genuinely fit for a reform dimension.

Even if it were, it is not straightforward how the reform pillar could be incorporated and operationalised. One possible avenue is to leverage on the mechanism of enabling conditions. The RRF Regulation links EU funding with structural reforms more directly than the Cohesion Policy. Considering the lessons learned from the RRF, this point could lead us to develop stronger links between investments under Cohesion Policy programmes and relevant reforms.
The recently presented Communication on the EU Economic Governance review already shows these intentions. Member States will have to integrate into a single medium-term plan the country-specific fiscal trajectories as well as priority public investments and reform commitments. The European Commission considers that the plan would include the projected expenditure financed by RRF grants (until 2026), Cohesion Policy funds and other EU transfers. Seeing that Member States would be required to address the priorities identified in country-specific recommendations, we find again these crossroads between Cohesion Policy and the European Semester when the former will be considered to address structural reforms and Country Specific Recommendations.

3. Payment by results: monitoring via the EU Semester

The RRF disburses funding to Member States on the achievement of milestones and targets related to specific progress towards the accomplishment of reforms and investments. If we take account of the lessons learned from the RRF, this could also lead us to develop stronger links between investments under Cohesion Policy programmes and the European Semester. Voices have been raised regarding the option to switch to a full performance base as the source of the much looked forward simplification under Cohesion Policy.

The current Cohesion Policy regulations for the 2021-2027 period already introduce novelties on the matter. From a long tradition of “reimbursements of costs actually incurred”, the current regulation contemplates the option of simplified Cost Options (SCOs) - reimburse expenditure at a rate calculated in advance - and Financing not linked to costs (FNLTC) – reimbursement when results or conditions established have been achieved.

The establishment of certain results conditionality to cohesion funds disbursements would logically have to be through the achievement of certain objectives and reforms. In this case, the European Semester would be most probably chosen as the framework under which these priorities and milestones would be monitored.

For this “somehow” control of Cohesion Policy performance via the European Semester, we could envisage the Semester deliverables, specifically the country reports, as the annual exam for Cohesion Policy. Being Cohesion Policy implemented under shared management, all actors that participate in the implementation and management of the Funds should be duly considered. The monitoring from the Commission should be effective, clear, and inclusive. In this sense, the principles of partnership and multi-level governance should not be undermined (again). Careful consideration and discussions on how to measure these Cohesion Policy results would be key as they should be based on outcomes rather than policy inputs or outputs.
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