Back to the future: 5 scenarios for post-27 cohesion policy

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In a nutshell

This note lays out scenarios as to how cohesion policy could look like in the post-27 programming period. It represents the first comprehensive reflection from the CPMR over the future of cohesion policy with the presentation of five potential settings. As you will see, they are very diverse; one or two may look a little far-fetched. But the uncertainitude and volatility of our times suggests not to rule out any option.

One more thing: at CPMR we are cinephiles. Hence, we have decided to name each scenario after a famous movie. Enjoy the reading.
Introduction

We are still three years away from the presentation of the proposal on the post-27 cohesion policy. Yet a reflection over its future has never seemed so topical and pressing at once. The EU response to the pandemic, and more recently to the war in Ukraine, has triggered fundamental questions over cohesion policy’s identity, goals as well as mechanics. In the past three years its provisions have been amended in ways that would have appeared as pure science-fiction in pre-Covid times.

At the same time, the Recovery and Resilience Facility has stormed into the budgetary galaxy with a whole new paradigm in terms of EU funds. A paradigm that makes it hard to look at cohesion policy the same way we used to. These shifts are occurring against a background of historic changes: in a world where negative shocks are becoming the norm and mega-trends such as climate change or digitalization are accelerating. The impact on regional disparities, for good or for ill, is likely to be massive.

How all of this is going to (re)shape cohesion policy in the post-27 framework? Of course, there is no conclusive answer to this question at such an early stage. But the current circumstances point to a number of alternative scenarios. We present the most meaningful ones – at least in our opinion – in the next sections. As you will see they are very diverse; one or two may look a tad far-fetched. But the uncertainty and volatility that are the hallmark of our times suggest not to rule out any option.

Scenario N. 1: It’s a wonderful life
Cohesion Policy at the heart of EU agenda

Strengthening the social, economic, and territorial cohesion becomes the main focus of the EU action. There’s a strong political impetus to address existing territorial disparities out of the awareness that they can further rise and become a threat to the EU project. Even the principle “do no harm to cohesion” is written into legislation and becomes effective across all EU policies. Ah, it’s a wonderful life!

In this setting, discussions on the post-27 EU budget are smooth as both net contributors and “cohesion friends” countries support a higher envelope for cohesion policy compared to the MFF 2021-2027. Cohesion policy takes a central role in the new MFF.

In this scenario as “wonderful” as the happy ending of Frank Capra’s masterpiece, all EU regions remain eligible for funding and regional authorities have a more prominent role in the management of funds. Not only shared management is preserved. But Member States are also more encouraged via dedicated regulatory incentives to set up regional programmes ensuring a tailor-made and granular focus, so that they can address the territorial needs of the regions to the greatest possible extent. Cohesion policy programmes continue pursuing long-term objectives, but they can have a flexibility reserve, up to a certain amount.

To reinforce cohesion policy support to key EU priorities, thematic concentration is set at regional level underscoring the role of regions in supporting and contributing to the EU strategic objectives. Programmes can choose between a payment-by-result or the traditional cost-related model: in this latter case, the use of simplified cost options is further encouraged. Other delivery features imply major simplifications on management and audit as well as flexibility on co-financing rates. In addition, very low thresholds for transfers from cohesion policy to other EU funds are applied. A single legal framework for all shared management funds is established to deliver full legal harmonization. Macro-economic conditionality is scrapped.
Scenario N. 2: The Matrix
*An innovative architecture for a future-oriented policy*

That’s a ground-breaking reform of cohesion policy happening here. One affecting its inherent structure. It sits on novel approaches, blurs traditional lines, breaks taboos. Arguably, it is a leap into a future: it almost feels as if we are in a parallel reality. Like in The Matrix. The most prominent aspect of this revolution is that all structural funds as well as any other sizeable investment instruments at EU level are merged into one single territorial fund. This shift takes place in the context of a major overhaul of the EU budget, including a shortening of its time-frame, an streamlining of its structure, much stronger flexibility. A comprehensive strategic framework is established with clearly defined priorities and targets to be achieved by the MFF under a “missions” approach (inspired by the action piloted under “Horizon Europe”).

A logic of full integration is also reflected in how resources will be programmed on the ground. Traditional programmes are replaced by overarching territorial strategies encompassing both EU and domestic funds. Managing authorities will enjoy more leeway in choosing investment priorities that best fit local needs under a more differentiated and territorially-driven approach. A payment-by-result model in the vein of the Recovery and Resilience Facility replaces the older one based on costs. Cohesion policy is further aligned with a revamped economic governance, including through the integration of a fully-fledged territorial dimension in the European Semester’s policy recommendations and investment guidelines.

A reform of the allocation formula is also delivered, giving more weighting to indicators such as demography, competitiveness, exposure to climate change, to reflect the growing complexity of regional disparities: new categories or sub categories of regions are created to enable a more focused approach on specific challenges.

Scenario N. 3: Frozen
*Status quo*

What if, despite all the fuss around the future of cohesion policy, we end up with things remaining the same as they are now? This is what this scenario is about. A “frozen” one, like the title of your kids’ favourite movie.

All EU regions remain eligible and grouped in 3 categories. Shared management continues to be the only governance model and the partnership principle remains a key feature despite a certain differentiated application by Member States. Cohesion policy still aims to support the economic, social and territorial cohesion but also contributes to the most pressing priorities of the EU such as the green and digital transition.

Harmonization under a single rulebook will guide the implementation but legal differences across the funds will remain and the EAFRD is not to be restored under the CPR. Other funds will emerge here and there, being implemented in parallel to cohesion policy (a RRF 2.0?).

Scenario N. 4: Honey, I shrunk the kids
*Cohesion Policy is still around but fading*

The good old days are gone for cohesion policy. Only the crumbs remain of what we used to know as the EU main investment policy. In short, in this scenario cohesion policy is reduced (or shall we say shrunk?) to the max, with a smaller budget and eligibility. Furthermore, certain centralisation aspects are established in the delivery of the funding.
Cohesion policy budget has been reduced by a significant margin compared to the MFF 2021-2027. Other investment instruments have taken a leading role in the MFF. The so-called “new EU policies” – e.g., the green and digital transition – have gained relevance against the traditional ones – aka cohesion and agriculture – in the MFF spectrum.

Eligibility will be limited to less developed regions. Perhaps transition regions might make the cut! Nevertheless, any changes in the eligibility would inevitably entail losers and winners and would put an end to the decision to make all regions eligible for support since 2007-2013. Eligibility could be even considered at Member State level (only for less developed countries), saying goodbye to any consideration of the growing complexity of regional disparities.

This downsized cohesion policy is not escaping the dangers of centralisation. A large room for manoeuvre on governance and the management of the funds is entrusted to national governments. Regarding governance features, cohesion policy funds remain under shared management, but programmes are replaced by single national plans (in the vein of the CAP strategic plans). National thematic concentration applies but significant flexibility in the use of the resources (easy to transfer resources across funds or to re-programme) is left to Member States as long as broad EU priorities are fulfilled. Payment by result is established.

**Scenario N. 5: Titanic**

*The end of Cohesion Policy as we know it*

Under this scenario cohesion policy is stripped of all its main features ceasing de facto to exist in the form we have come to know since it was launched under the aegis of the Commission Delors. Little wonder we have named this setting after a movie recounting one of the best known disasters ever. We are looking here at a fully centralized and renationalized cohesion policy.

Any form of territorial earmarking, i.e. based on the level of development of regions, is scrapped. The allocation formula for the funds is based on national data. In terms of governance this results in national governments being the sole entities responsible for managing the funds, which are programmed through national plans. The involvement of local and regional authorities is left to the discretion of Member States or subject to a weak requirement. It is likely that the shared management mode is abandoned in favour of a direct management à la RRF.

Investment priorities are fully aligned with EU strategic objectives and dictated by the European Semester process. The delivery of the fund(s) is done according to Member States own budgetary procedures, financial management and public procurement systems (budget support), with disbursements being contingent upon the achievement of pre-agreed results (payment by result). This system sits on a more agile body of rules and requirements.

Titanic is a powerful cautionary tale for cohesion policy. The most famous cruising ship was deemed to be “unsinkable” and yet... The story of Titanic shows us that we cannot give cohesion policy for granted just because its core objectives are enshrined in the Treaties. The task of promoting territorial cohesion could well be entrusted to a completely new vehicle with the abovementioned features, thereby bearing no resemblance with current cohesion policy. After all, that’s already happening: the Recovery and Resilience Facility has also cohesion among its main objectives.
## Chart 1 – The Future of Cohesion Policy: 5 scenarios by CPMR

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<tr>
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<th>1/ Cohesion policy at the heart of the EU Agenda</th>
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<th>4/ Cohesion policy is still around but fading</th>
<th>5/ The end of cohesion policy as we know it</th>
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<tbody>
<tr>
<td><strong>Cohesion policy budget</strong></td>
<td>Increased budget</td>
<td>Equal or slightly higher than previous period</td>
<td>Same as in the previous period</td>
<td>Significantly reduced since previous period</td>
<td>Irrelevant</td>
</tr>
<tr>
<td><strong>Geographical scope</strong></td>
<td>All regions eligible</td>
<td>All regions eligible + revamp of allocation formula</td>
<td>All regions eligible 3 categories of regions</td>
<td>Limited eligibility: only less Developed Regions or countries</td>
<td>No eligibility Allocation formula based on national data</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Shared management based on multi-annual regional programmes</td>
<td>Programmes are replaced by overarching multi-fund strategies encompassing EU and domestic funds</td>
<td>Shared management</td>
<td>Shared management programmes are replaced by a single national plan Regions may be involved as intermediate bodies</td>
<td>Direct management A single national plan No requirement to involve local and regional authorities</td>
</tr>
<tr>
<td><strong>Scope</strong></td>
<td>Long-term objectives Flexibility reserve Regional thematic concentration for key EU strategic objectives</td>
<td>High flexibility in objectives and priorities based on territorial needs</td>
<td>Economic, social and territorial cohesion + EU priorities</td>
<td>High-flexibility in the use of resources National thematic concentration</td>
<td>Priorities established under the EU economic governance framework Thematic concentration at national level based on EU priorities</td>
</tr>
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<td><strong>Delivery</strong></td>
<td>Possibility to chose between a payment by result or traditional model Major simplifications Flexibility on co-financing rates Limited transfers</td>
<td>Payment by results</td>
<td>Payment largely based on costs</td>
<td>Payment by results is mainstreamed</td>
<td>Payment by results</td>
</tr>
<tr>
<td><strong>Funds architecture</strong></td>
<td>A single legal framework More harmonised rules with direct management funds</td>
<td>A single territorial fund merging existing structural funds</td>
<td>Common Provisions Regulation + Fund-specific Regulations</td>
<td>Common Provisions Regulation + Fund-specific Regulations</td>
<td>A single fund replacing most of the existing structural funds</td>
</tr>
</tbody>
</table>
References

Of course, this is not the first attempt (nor the best) at envisioning how post-27 cohesion policy could look like. Here’s two references:


– Böhme K et al. (2022), Cohesion Policy scenarios, Spatial Foresight

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