

# EU Cohesion Policy

## Seeking a new model for better, more effective and results-oriented use of funds

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# Historical Evolution of EU Cohesion Policy

Period	EU context	Policy shifts and narratives
1989-93	Budget crisis, Single Market's programme "1992", EU9-12	Common objectives and principles for different funds, multi-annual
1994-99	EMU preparation, Maastricht Treaty, EU12-15	Cohesion Fund
2000-06	"Agenda 2000", EU15-25	Effectiveness, decentralisation, concentration, capping, "audit explosion"
2007-13	"Lisbon Strategy", "Sapir threat", EU25-28, financial crisis	Alignment with broader EU strategy, evidence-based, academic debate
2014-20	"Europe 2020", economic crisis, European Semester	Place-based approach, conditionality (ex-ante, macro-economic)
2021-27	Brexit, White Paper, pandemic, rule of law, Next Generation EU (NGEU), war in Ukraine	Results-orientation, simplification, differentiation, JFT

**Source:** Hunter, 2023

# The paradox in the course of EU Cohesion Policy

- A striking paradox has been noted during the historical course of EU Cohesion Policy.
- This Policy, along with its funding mechanisms (ERDF, ESF, Cohesion Fund, JTF), has played an instrumental role in the delivery of some of the main political priorities set at EU level, such priorities being either of a more structural and long-term nature (e.g. EU Digital Transition, EU Green Deal, EU Pillar of Social Rights, or Europe 2020, Lisbon Strategy in previous periods), or of a short-term nature in order to provide immediate responses to crises such the COVID-19 pandemic or the migration crisis.
- It is, therefore, no surprise that the Member States and the EU Institutions have devoted extensive hours on negotiating the size of the Cohesion Policy's budget within the MFF context, or on examining the financial absorption of the relevant funds and the irregularities identified during the implementation of the relevant programmes.
- However, other aspects of EU Cohesion Policy, and especially the Policy's rationale and its transformation to objectives, as well as the corresponding use of the Policy's funding instruments, have been kept outside of the substantive workings of the mainstream EU political debate. Thus, such issues have been seen as being of marginal concern to the EU and national policy makers, and their discussion has remained confined mainly to expert groups comprising small numbers of decision-makers, stakeholders, academics, etc, and this has deprived the EU Cohesion Policy of a more advanced conceptual foundation.

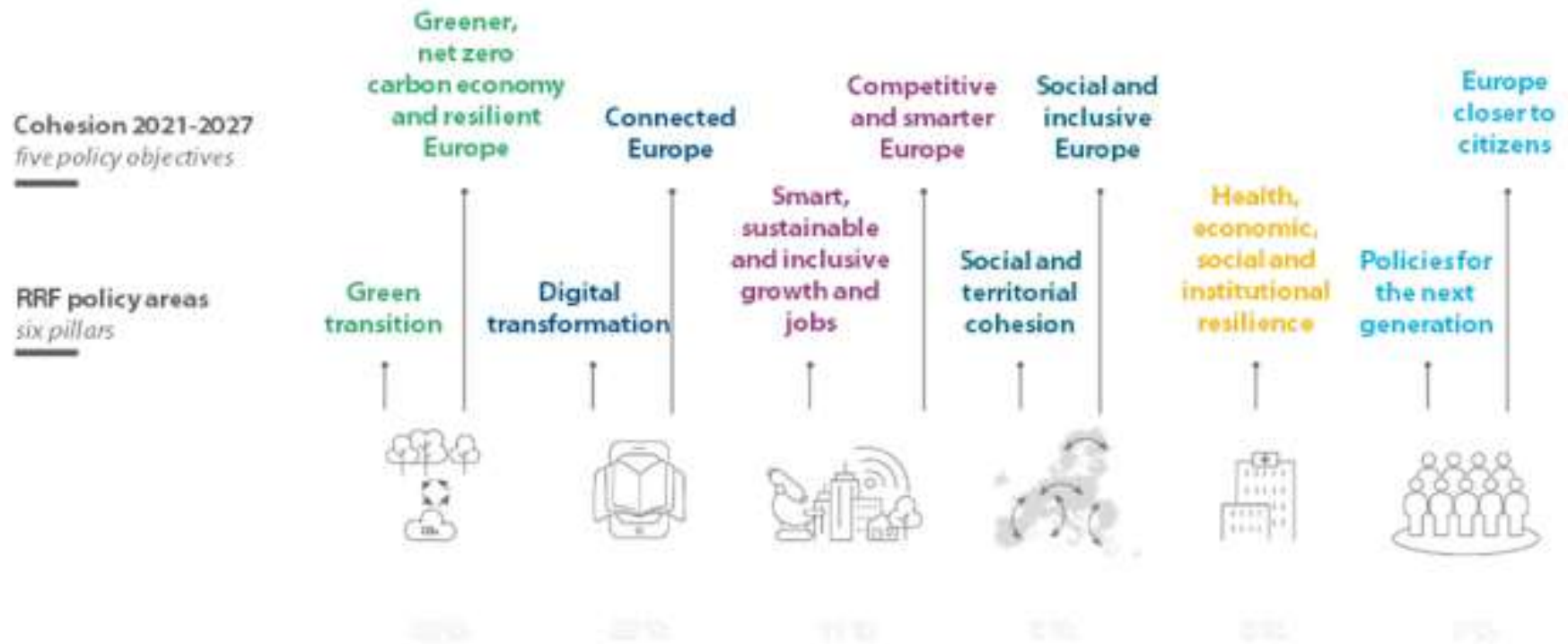
# A new “Challenge”

## The Resilience and Recovery Facility

- July 2020: the European Council adopts the NextGenerationEU (NGEU) instrument, a temporary instrument intended to mitigate the impact of the COVID-19 pandemic on citizens and businesses and enhance the resilience of the EU and its Member States against future shocks. Most of NGEU spending is made through the RRF, a mechanism under which Member States can apply for grants and loans.
- The RRF is a tool with similarities to but also significant differentiations from the EU Cohesion Policy tools.
- For instance, the main tool of providing financial support under the RRF are grants (there is also the possibility for loans to be repaid by the MS), just like in the vast majority of EU Cohesion Policy programmes.
- On the other hand, while cohesion policy funding is allocated to Member States using a method which takes account of regional disparities, the RRF financial support does not take into account such disparities. Furthermore, the RRF is implemented under direct management, while cohesion policy funds are implemented under shared management, so the EU and MS authorities have different responsibilities in connection with each source of funding. The partnership principle applicable to cohesion policy funds do not apply to the RRF and the involvement of local and regional authorities, economic and social partners and civil society organisations is not required for the RRF to the same extent as for the cohesion policy funds.
- It is interesting to note that the RRF runs concurrently with EU cohesion policy funding mechanisms, thus providing the MS with the possibility to choose to finance investments using either the RRF or the EU cohesion policy funds.

# Selective Comparison between RRF and EU Cohesion Policy

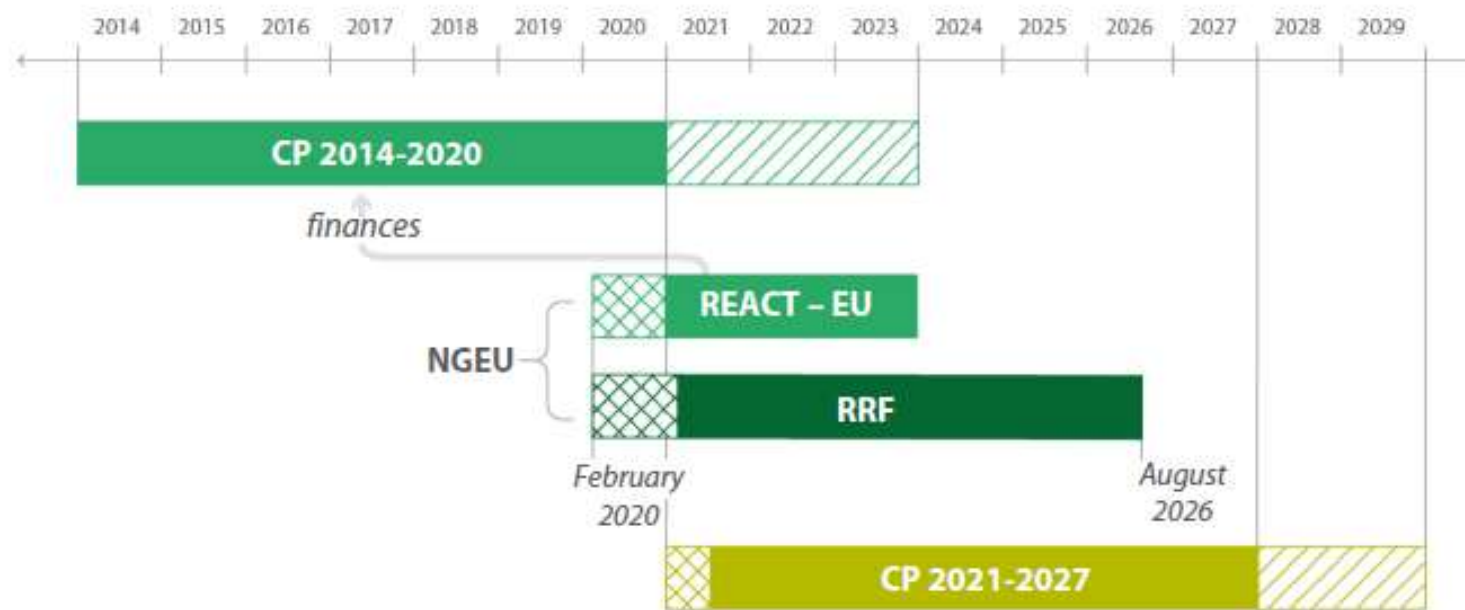
- Cohesion policy objectives and RRF pillars



Source: ECA, based on the CPR and the RRF Regulation.

**Conclusion:** Similar priorities presented differently

## • Eligibility Periods of EU Cohesion Policy and RRF



- ▨ — Period prior to the adoption of the relevant regulation for which measures already implemented can be financed retroactively
- ▨ — Additional spending period after end of the programming period

Source: ECA, based on the 2014-2020 and 2021-2027 CPR, RRF, and REACT-EU Regulations.

**Conclusion:** Shorter eligibility period for the RRF



# • Programming of Spending Process

PROCESS	COHESION POLICY	RRF
<b>DESIGN</b> <i>Member States <b>draft their programming documents</b></i>	Several national and regional points of contact in the Member States; Directorates-General responsible: DG REGIO and DGEMPL	A single entity in the Member States acting as the national coordinator and point of contact for the Commission. Responsible bodies within the Commission: RECOVER and DG ECFIN
<b>SUBMISSION</b> <i>Member States <b>submit their programming documents to the Commission</b></i>	One partnership agreement at national level and one or several programmes (national or regional)	One main programming document, the RRP
<b>ASSESSMENT</b> <i>The Commission <b>assesses the programming documents and discusses them</b> with each Member State</i>	Three months to submit observations (for partnership agreement and programmes)	Two months to complete the assessment process, but can be extended. One month for the Council to approve
<b>ADOPTION</b> <i>The programming documents are <b>adopted</b></i>	The Commission adopts the partnership agreement within four months and the programme within five months from their official submission through implementing acts	Commission endorsement and Council adoption through Council Implementing Decision

**Conclusion:** RRF  
Programming is more centralised

# ● Assessment of Programming Documents

CRITERIA	COHESION POLICY	RRF
<b>EFFECTIVENESS</b> <i>Article 11(1)(b) of the CPR</i> <i>Article 19(3)(g) and criterion 2.7 in Annex V of the RRF Regulation</i>	The partnership agreement describes the main results expected for each fund and the expected contribution to the selected policy objectives	RRP is intended to have a lasting impact in terms of structural changes in the administration or policies
<b>EFFICIENCY</b> <i>Articles 11(1)(c) and 22(3)(g) of the CPR</i> <i>Article 19(3)(i) and criterion 2.9 in Annex V of the RRF Regulation</i>	The proposed preliminary financial allocation respects the rules on thematic concentration and provides data by policy objective at national and regional level	Estimated total costs are reasonable and plausible. No examination of support at regional level
<b>RELEVANCE</b> <i>Article 22(3)(a) of the CPR</i> <i>Article 19(3)(c) and criterion 2.3 in Annex V of the RRF Regulation</i>	The main challenges to be addressed stem from economic, social and territorial disparities	RRP contributes to the economic, social and institutional resilience of the Member State by reducing economic vulnerability to shocks and increasing the capacity of economic and social structures and institutions to adjust and withstand shocks
<b>COHERENCE</b> <i>Articles 5(3) and 11(1)(b) of the CPR</i> <i>Article 19(3)(k) and criterion 2.11 in Annex V of the RRF Regulation</i>	Coordination and coherence between the funds and between the national and regional programmes, complementarities and synergies with other EU instruments (including the RRF) for each selected policy objective	Internal coherence of the measures included in the RRP, i.e. the measures proposed reinforce and complement each other

## Conclusion:

Different approaches of assessment



# • Conditions for making payments

CONDITIONS	COHESION POLICY	RRF
<b>PRE-FINANCING</b> <i>Member States receive pre-financing</i>	Yearly pre-financing of 0.5 % of the total allocation from 2021 to 2026 for each fund	One pre-financing payment of up to 13 % only for the RRP adopted by the Council in 2021
<b>PAYMENT REQUEST</b> <i>Sent to the Commission, accompanied by a management declaration</i>	Maximum of six payment requests per year per programme Requests based on the costs actually incurred unless use is made of SCOs and FNLTC National co-financing rates of at least 15 % – 60 % depending on the fund and the level of development of the supported region	Maximum of two payment requests per year per Member State Requests based on pre-agreed instalment amounts grouping the milestones and targets Projects are 100 % financed by EU funds
<b>ASSESSMENT</b> <i>Of the payment request by the Commission</i>	Assessment of the expenditure declared by the Member State in the assurance package	Assessment based on the satisfactory fulfilment of the milestones and targets The Commission adopts decision authorising disbursement taking into account Council's opinion
<b>VALIDATION and PAYMENT</b> <i>To the Member States</i>	The Commission validates the payment	
<b>POTENTIAL LOSS</b> <i>Of funds not used</i>	Gradual loss of the yearly committed funds for which a payment request is not made within three years (from 2021 to 2026) or within two years (for 2027) (decommitment procedure)	Funds not paid to the Member State by the end of 2026 are lost

**Conclusion:** RRF allows for faster disbursement of funds

# • Monitoring, reporting and evaluation requirements

REQUIREMENTS	COHESION POLICY	RRF
<b>MEMBER STATES</b> <i>Monitoring and reporting arrangements</i>	<p>Monitoring by programme, using indicators that are not linked to the payment requests</p> <p>Prescriptive rules on the role of the monitoring committee</p> <p>Submission to Commission:</p> <ul style="list-style-type: none"> <li>Financial data: five times a year</li> <li>Performance data: twice a year, including data on common indicators</li> <li>Mid-term review (2025)</li> </ul>	<p>Monitoring at central level, using pre-agreed milestones and targets linked to the payment requests</p> <p>Member States can use their existing monitoring systems</p> <p>Submission to Commission:</p> <ul style="list-style-type: none"> <li>Progress on milestones and targets, accompanying each payment request: maximum twice a year</li> <li>Two-yearly reports, updating data on common indicators</li> </ul>
<b>COMMISSION</b> <i>Monitoring and reporting arrangements</i>	<p>Annual performance review meeting</p> <p>Annual Management and Performance Report to the Parliament, in the context of the discharge procedure</p> <p>Display aggregated data on the Open Data platform</p> <p>Report on the outcome of the mid-term review to the Parliament and Council (2026)</p>	<p>Monitoring embedded in the European Semester</p> <p>Analysis and appraisal of the data sent with the payment request</p> <p>Annual report on implementation addressed to the Parliament and the Council</p> <p>Posting of aggregated data on the RRF Scoreboard</p>
<b>COMMISSION</b> <i>Evaluation</i>	<p>During implementation, at the end of 2024</p> <p>Ex-post evaluation (2031)</p>	<p>During implementation, in February 2024</p> <p>Ex-post evaluation (2028)</p>

**Conclusion:** RRF monitoring is linked to milestones and targets while in cohesion policy performance is disconnected from financial reporting and payments

# • Control and Audit

**Conclusion:** In cohesion policy, control and audit focus mainly on the eligibility of expenditure (compliance i.e. legality and regularity), while RRF checks focus on the satisfactory fulfilment of milestones and targets

BY TYPE	COHESION POLICY	RRF
INTERNAL CONTROL AND AUDIT		
BEFORE PAYMENT	<p>Member States provide assurance on the set-up of their management and control systems</p> <p>The Commission assesses Member States' control systems when approving partnership agreements and programmes</p>	<p>Member States describe their internal control systems in their RRP's</p> <p>The Commission assesses Member States' control systems and sets further milestones where necessary</p>
AT PAYMENT	<p>Member State level</p> <ul style="list-style-type: none"> <li>○ Legality and regularity of payments is based on the accuracy and veracity of expenditure, and compliance with the applicable EU and national rules</li> <li>○ Managing authorities carry out first-level checks on operations and exclude irregular expenditure declared by beneficiaries</li> <li>○ Audit authorities provide assurance on expenditure declared, management and control systems and the accounts</li> </ul> <p>The Commission carries out control and audit activities, including systems audits and audits on a sample of operations</p>	<p>Member State level</p> <ul style="list-style-type: none"> <li>○ Legality and regularity of payments is based on achievement of milestones and targets.</li> <li>○ Compliance with the applicable EU and national rules to protect the EU financial interests</li> </ul> <p>The Commission assesses whether milestones and targets have been satisfactorily fulfilled, failing which payment is suspended in part or in full</p>
AFTER PAYMENT	<p>The Commission:</p> <ul style="list-style-type: none"> <li>○ Carries out compliance audits in respect of the legality and regularity of expenditure declared, and system audits</li> <li>○ Suspends payments associated with expenditure affected by an irregularity or serious deficiency</li> </ul>	<p>The Commission carries out:</p> <ul style="list-style-type: none"> <li>○ ex post audits of milestones and targets, reported by the Member States following a risk assessment</li> <li>○ system audits of the monitoring data collection systems (before or after payment)</li> <li>○ system audits of measures to protect the EU financial interests, and ad hoc audits where serious irregularities are suspected</li> </ul>
EXTERNAL AUDIT	By the ECA	By the ECA

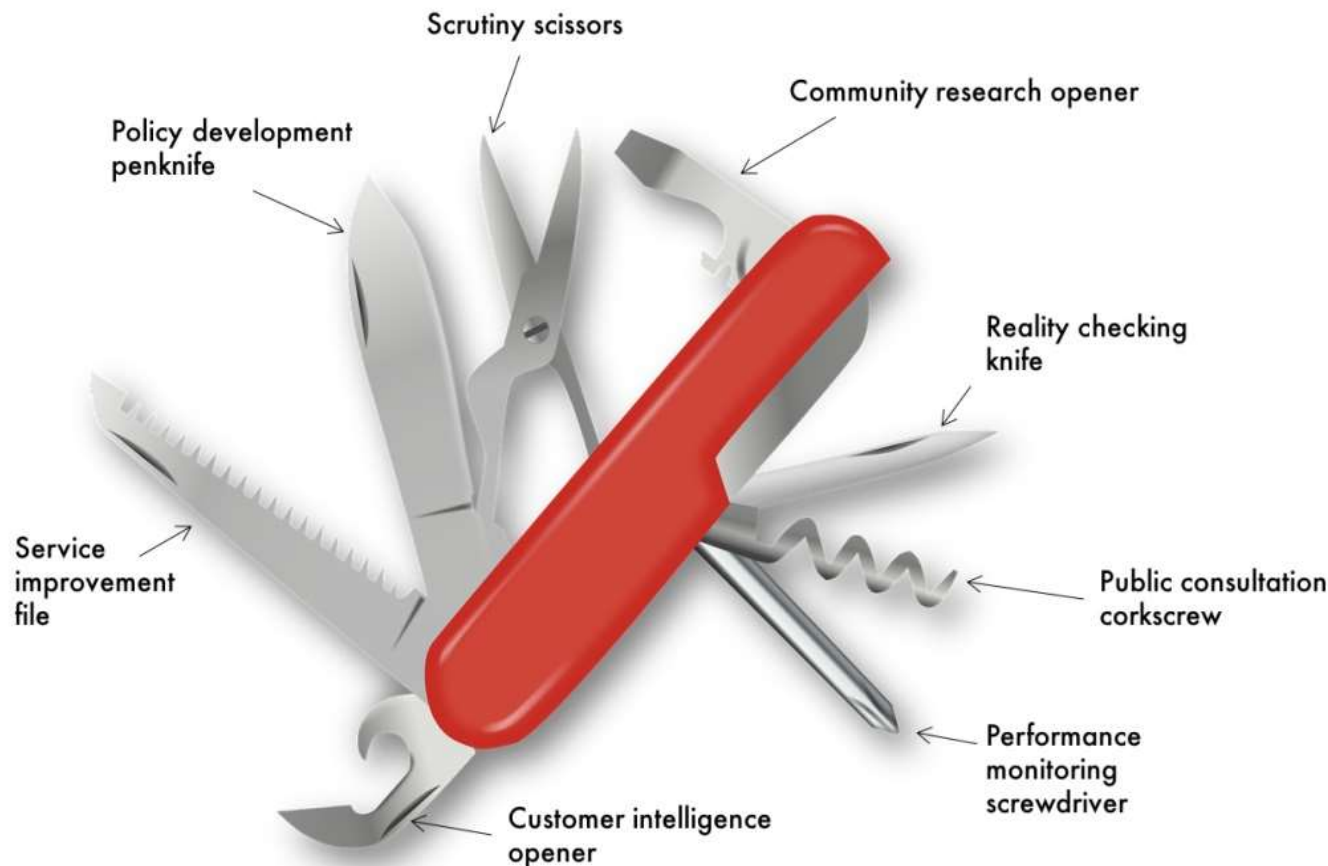
Source: ECA, based on the CPR and the RRF Regulation.



# Considerations for EU Cohesion Policy

- For many stakeholders, at EU and/or national level, the RRF model of providing support seems more preferable than the EU Cohesion Policy. As a new tool, the RRF has attracted significant attention and the debate on it refers not only to its resources but also to its rationale and logic, and the possibility of making the RRF a permanent instrument.
- Taking into account the reluctance demonstrated by many EU countries with regard to increasing the resources spent on policies such as Cohesion or CAP and their persistence on linking such expenditure with conditionalities related to the standards and recommendations adopted with the European Semester context, it is certain that the existence of two separate but parallel and expensive schemes (EU Cohesion Policy and RRF) with similar priorities, competing for resources within the same MFF context, would not be welcome.
- Such an eventuality could threaten even the overall existence of the EU Cohesion Policy, as it would mean that the permanent establishment of the RRF would probably come at the expense of EU Cohesion Policy. The centralized governance scheme (including the concentration of decision-making authority to the central government) of the RRF is a quite popular feature among the governments of the EU MS. Opting for this approach would weaken the territorial dimension of EU Policies, putting into question the necessity of specific funding tools for the EU Cohesion Policy.

- Therefore, it is imperative to revive the public debate on EU Cohesion Policy not only with regard to its redistributing effects, but primarily on this Policy's identity and values. EU Cohesion Policy should not be treated as just another spending programme, like the RRF, but as an integral part of the EU's core policy aspects, reflecting the principles on which the EU is built.
- In order to achieve that, it is suggested to employ the so called “swiss army knife scrutiny” approach:



This would call for

- A reality check on the current EU Cohesion Policy status and effect,
- public consultation procedures to register the people's perceptions and expectations of this policy,
- Community research and intelligence tools to understand what is actually required
- Policy development mechanism to transform the requirements into policy objectives
- Performance monitoring and scrutiny tools focus in the achievement of the objectives
- Service improvement scheme to address shortcomings and increase performance.



- Some of the elements needed for a restart of EU Cohesion Policy (a EU Cohesion Policy 2.0) have already been put forward, as demonstrated in the relevant EESC Preliminary Draft Opinion on “*The Recovery and Resilience Facility and cohesion policy: towards cohesion policy 2.0*”
- In order to further support this effort, some more considerations are suggested:
- The EU Cohesion Policy’s purpose needs to be reviewed. A realistic account of the EU convergence stagnation, as demonstrated by the reduced resilience demonstrated by many EU regions since 2008, and the constant conflict among states for securing additional financial aid, expressing a “me-first” national approach, are indications that the EU Cohesion Policy needs to upgrade its impact on securing the proper functioning of the Single Market and to provide to EU regions corrective support in order to help them benefit from the new economic landscape that is being formulated.
- The EU Cohesion Policy’s strong point has always been the reflection of the economic, social and territorial realities of the EU regions. Providing security, in terms of protection and understanding of the people’s needs, needs to be added to the core concepts of Cohesion Policy in order to meet the risks which have been developed in these realities since 2008 (economic crisis, migration crisis, covid-19 crisis). Nonetheless, the EU Cohesion Policy must keep its autonomy as a policy field of structural nature and importance for the EU, and should not be reduced to a mere funding tool of experimental approaches towards a new EU future strategy.

- As for the EU Cohesion Policy's interaction with the RRF, it would be beneficial to adopt a policy sequencing approach. That would lead not to a policy alignment between the RRF and the EU Cohesion Policy, but to an updated purpose for the EU Cohesion Policy to continue the support to the reforming efforts initiated within the RRF context, focusing on the delivery of the reforms to the regions that need them the most. This is an point of advantage for the EU Cohesion Policy, as it has the capacity to consolidate efforts, focusing on economic, social and territorial characteristics of regions, through its place-based orientation.
- In the same vein, the adjustment of some of the RRF's managerial simplifications mentioned above in the context of the EU Cohesion Policy, while maintaining its territorial scope of decision making and action, could be beneficial for the implementation of the EU Cohesion Policy.
- Such efforts will be instrumental for developing a new EU Cohesion Policy, which can be characterised as:
- Specific: with well-defined content and clear scope of achievement
- Measurable: with specific, quantified, goals, verified by proper indicators
- Achievable: with realistic objectives, avoiding excessiveness.
- Relevant: with a context reflecting the values and objectives of the EU
- Timely: with a time-based approach that will allow both for measuring progress and for providing results on time.
- **OVERALL A SMART EU COHESION POLICY**

**Thank you for your attention!!!**