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Socialists & Democrats
in the European Parliament**

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Brussels, 19 May 2025

S&D REGI Position Paper

Cohesion Policy post-2027: a resilient future for European territorial equity

1. Introduction

Economic, social and territorial cohesion is a core objective of the European Union (as established in the Article 3(3) TEU and the Art. 174 TFEU), and for its development is supported by the so-called "Cohesion Policy" (CP).

Cohesion Policy aims to promote harmonious development and *reduce economic, social and territorial* disparities between the regions of the Union, and the backwardness of the least favoured regions with a particular focus on rural areas, areas affected by industrial transition and regions suffering from severe and permanent natural or demographic handicaps, *such as outermost regions, regions with very low population density*, islands, cross-border and mountain regions.

Cohesion Policy is the main public investment policy of the European Union, and it is implemented through the European Structural and Investment Funds: European Regional Development Fund (ERDF), European Social Fund Plus (ESF+), the Cohesion Fund (CF), the European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the Just Transition Fund (JTF). Furthermore, in rural areas the Cohesion Policy funds reinforce the support given by other EU instruments such as the European Agricultural Fund for Rural Development (EAFRD).

2. Cohesion Policy at the heart of S&D values

Cohesion Policy is a powerful tool for creating jobs and growth, emphasizing solidarity, and enhancing development in all regions of the EU – for all its citizens. Over the past decades, Cohesion Policy has helped to reduce economic, social and territorial disparities. Through its place-based approach, and the main principles of the cohesion policy – shared-management, multi-level governance and partnership – Cohesion Policy has been able to offer citizens a positive socio-economic perspective for their regions and improve their quality of life.

Defined as a long-term investment tool, Cohesion Policy provides a swift and much-needed support to Member States, regional and local authorities to improve their competitiveness and ensure a level playing field in the single market. Besides this, Cohesion Policy is of pivotal importance to deliver on the European Pillar of Social Rights and contains ambitious headline targets in its Action Plan to reduce poverty, increase the employment rate and stimulate adults to attend training courses. On top of this, Cohesion Policy has acted as an important stabilizer amid economic slowdowns and the multiple crises of recent years.

Furthermore, macroeconomic modelling suggests that the 2014-2020 and 2021-2027 programmes, taken together, could increase EU GDP by 0.9% by the end of 2030. Each euro invested in the 2014-2020 and 2021-2027 programmes will have generated 1.3 euros of additional GDP in the Union by 2030 and will almost triple in 2043, which is equivalent to an annual rate of return of around 4%.

As the utmost expression of EU solidarity, Cohesion Policy is one of the flagship policies of the Socialists & Democrats Group and a policy initiative linked to figures of our political family such as Jacques Delors, as President of the European Commission, George Thompson and Antonio Giolitti.

Let us look back to the decades of progress – thanks to this policy based on core EU values – and let us think about the people who have benefitted from it. Citizens living in the outermost regions, small and medium-sized enterprises have been supported, jobs have been created, children have been able to get a better education, lives were saved in hospitals built with these funds, and infrastructure used, financed by this policy.

It is our citizens we have in mind when designing a Cohesion Policy for the future, while reflecting on how new generations can further benefit from it; always with an eye on strengthening the European values on which Cohesion Policy is built, namely: solidarity, equality and balanced development.

3. Present timeframe

Right now, it is the perfect time to open the discussion about the functioning of Cohesion Policy, launched by former Commissioner Elisa Ferreira, which, inter alia, will also allow us to analyse various threats to this policy. This way, we will be able to make credible proposals for the reinforcement and modernisation of a policy that is fundamental to achieving the objectives of the Social-Democratic family, such as equity, inter-territorial solidarity, creation of decent jobs, eradication of poverty, access to affordable housing and public services.

At this moment, the following circumstances overlap:

- the end of the 2014-2020 programming period, with its final phase of implementation and administrative justification extended (due to the COVID- 19 pandemic) until June 2025;
- the start of the investments envisaged in partnership agreements and regional/national programmes for the period 2021-2027, with the new recently established conditions in the main legislative framework – the Common Provisions Regulation;
- the confluence of these investments with the period of maximum implementation of the Recovery and Resilience Facility (RRF) (until 2026), which have – without any doubt – introduced distortions, if not duplications, into the objectives and management of Cohesion Policy Funds;
- the peculiarities of the legislative period that ended, in which successive unforeseen crises (COVID-19 pandemic, war in Ukraine, energy crisis, inflation, etc.) made it unavoidable to resort to Cohesion Policy Funds to create new financial instruments to mitigate their economic and social

impacts (REACT-EU, CARE, (FAST)-CARE, STEP, RESTORE, etc.). This showed that Cohesion Policy can be flexible and deliver, but it also led to important debates on its objectives and on how to balance much needed emergency support with *ensuring* the long-term objectives of the policy in light of an overall small EU budget.

With the publication of the final report of the High-Level Reflection Group on Cohesion Policy and the 9th Cohesion Report, the debate on the future of Cohesion Policy is already in full swing. With the start of 2024-2029 legislature, it is now the time to reflect on the position of the Socialists and Democrats on the future of Cohesion Policy.

Most recently, the communication from the European Commission “The road to the next multiannual financial framework”¹ intends to merge Cohesion Policy funds with Common Agriculture Policy funds, and others, to create a unique investment programme, consisting of 27 national envelopes, linked to reforms in each Member State. This proposal would mean the elimination of the Cohesion Policy, as we now know it.

Information² that Ursula von der Leyen intends to bring around 200 civil servants, accountable only to her, to deal with regional policy dossiers based on “cash- for-reforms” approach, confirms this trend.

Consequently, we oppose any shift to a more centralised approach or weakening the role of regions, communities and putting at risk the shared management and partnership principles, multi-level governance structure and place-based approach as this may lead to a potential loss of focus, and to funding not reaching the regional and local level, people in vulnerable situations and those most in need.

For all the mentioned reasons, we are at a key moment and we, as Socialists & Democrats, must be the ones to carry the flag in this process, and to offer the best alternatives.

4. Threats, challenges, opportunities and objectives

The purpose of this paper, adopted by the S&D REGI Working Group on 26/11/2024 is to reflect upon possible building blocks for Cohesion Policy post-2027.

To do so, let us first analyse some variables that influence the Cohesion Policy today.

¹ Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the Committee of the Regions “The road to the next multiannual financial framework”

² Politico, 20/11/2024

A) Threats

The first variable relates to the threats posed to Cohesion Policy. Since its inception, Cohesion Policy has faced the anti-cohesion discourse of those who oppose it on the grounds that it is an unnecessary investment which benefits only some Member States or regions, with no advantages for others. These opponents forget that all Member States benefit directly from Cohesion Policy, that reducing disparities means that least developed regions need to be supported proportionally more, but that all stand to benefit from indirect effects on trade, procurement and services. Moreover, it is often forgotten, as recently underlined by the Letta report, that Cohesion Policy is necessary for the single market to work properly, both to ensure a level playing field and to expand its economic strength. Unfortunately, the old distinction between net payers and net beneficiaries ignores all these aspects and persists in some minds.

In addition to this classic anti-cohesion discourse, which is of a permanent nature, we must consider other, more conjunctural, threats, such as converting the available funds into a catch-all policy to deal with the successive crises (COVID-19 pandemic, war in Ukraine, energy crisis, inflation etc.). The use of Cohesion Policy as a crisis-response and stabiliser instrument during the 2019-2024 legislature was decisive to ensure a balanced recovery and prevent the aggravation of asymmetries. However, it is important that this policy retains its long-term investment nature focusing on growth, job creation, and social services that aims to create a just society instead of a catch-all policy, from which funds can be withdrawn whenever an unexpected crisis arises, in order to generate new instruments and programmes. Also, the possible re-nationalisation of the Policy while linking it to the key national reforms in Member States.

Furthermore, with the re-election of President Trump in the US, dwindling US support for the EU, and Russia's war of aggression in Ukraine, Europe must become more sovereign, better equipped to deal with immediate and future challenges.

Therefore, it is opportune and essential to open up a debate as to investments in Europe's defence and security. Strengthening Europe's defence capabilities and supporting Ukraine against the Russian war of aggression are essential for maintaining peace and stability. However, military strength alone is not enough to ensure security and resilience. A strong economy, social cohesion, and robust social security systems are just as vital, particularly in countering external efforts to sow division.

The recent turbulent geopolitical situation has led to numerous calls that Europe must stand on its own feet. Europe's security, defence and strategic autonomy needs to be strengthened. In this regard, one needs to see the announcement by the Commission of the "Readiness 2030" plan to ramp up defence capabilities and production across the EU.

However, this must not come at the expense of territorial solidarity instruments.

Those who want to undermine the EU know it well: poverty and social exclusion are vulnerabilities they exploit to fuel resentment, spread their propaganda, and weaken our democracies. Where public authority retreats, where injustice and precariousness take hold, extremist narratives thrive. Therefore, investing in cohesion and social justice is not a secondary option but a fundamental pillar of our collective security.

B) Challenges

Cohesion policy should continue to embrace its original goal of a long-term investment policy in all regions of the EU. However, faced with a new geopolitical reality, it should make a shift from a reactive, crisis-response stance to a more pro-active, resilient policy through a place-based approach at the regional and local level.

Further challenges like the transition towards climate neutrality, the digital transition and the demographic decline are affecting Cohesion Policy. The green, digital, as well as demographic transition are a source of opportunities but – if not accompanied by the right social and investment policies – may also create new disparities, such as the depopulation of rural areas; feeding into popular discontent and putting our democracies under pressure. Moreover, economic policies to strengthen the strategic autonomy of the EU by supporting specific industrial sectors might need additional cohesion efforts to counterbalance the potential increase of regional disparities. The same can be said of the need to re-shore value-chains and jobs in a more unstable global order where the limits of globalisation have become very clear.

The administrative complexity of the Cohesion Policy is another difficulty that managing authorities face daily, with the risk of delays in the implementation and justification of investments. The S&Ds should not let other Groups take the lead in efforts to reduce the bureaucratic burden of Cohesion Policy. We must make it clear that this is also a key priority for us. This could be achieved, for example, by scrapping unnecessary red tape or by making greater use of technologies such as Artificial Intelligence.

The co-existence with Next Generation EU funds has also caused some dysfunctions in the parallel implementation of both policies, giving rise to a delay of the start of Cohesion programmes 2021-2027, because priority was given to those of the Recovery and Resilience Facility (RRF) due to its short deadline and direct management. This has caused a misplaced sense of non-compliance with Cohesion Policy implementation without taking into account the long-term aspect of Cohesion Policy. Moreover, RRF investments have drawn from, for the most part, projects that were in the pipeline of investments for Cohesion Policy.

Cohesion Policy should continue to be available to those Member States that need most EU support – also during crises – when investment, jobs and social support can

rapidly be at risk. At the same time, we must ensure that the EU creates a permanent emergency fund so that Cohesion Policy can be used for its primary objectives. Macroeconomic conditionality, which was introduced at the peak of the financial crisis, represents a double penalty, as Member States face financial fines under the excessive deficit procedure of the Stability and Growth Pact, as well as a reduction of Cohesion Funds' support when they are most needed by citizens, regional and local administrations, and NGOs. As Socialists and Democrats, we should advocate for the macroeconomic conditionality to be removed from Cohesion Policy regulatory framework.

As every region has its specificities, a place-based approach is the one to be used. However, in examining the particularities of EU regions, we must strive to identify and tackle common challenges, putting the place-based approach in an EU-context.

C) Objectives/opportunities

On the other hand, Cohesion Policy contributes to the political goals of the EU, as one of the policies with the largest budget allocations. The EU political agenda is marked by the path of the Green Deal, and by three major political objectives (ecological transformation, digital modernisation and social cohesion). Cohesion Policy must address them, without detracting from territorial cohesion, as well as creating a balance between regions objectives and the valuable contribution that this policy can make in the fight against depopulation.

To make sure that Cohesion Policy remains agile and modern, we need to be able to adapt it to these new developments without compromising its structural and long-term objectives and without detracting from its main political objective, which is social, economic and territorial cohesion and balance between regions. Furthermore, we should pay special attention to specificities of the regions. For example, coastal and maritime regions are heavily impacted by climate change (rising sea levels, marine biodiversity loss), as well as high tourism flows and – for islands – specific social, housing and economic challenges, which require targeted investments. We will continue to support all regions, and the less developed, in particular those suffering from various permanent handicaps and imbalances.

It is in the interest of social democracy to advocate for strong rule of law, social and environmental enabling conditions in the distribution of funds, as well as an effective application of social and human rights standards. In the future, Cohesion Policy should also be conditional on member states providing for and protecting all people in their regions, regardless of their gender, age, nationality, health status, social class, ethnicity, sexual orientation or identity.

We must seize this opportunity and make proposals that are useful and effective in achieving the political objectives of the Social-Democratic family for the future of the Cohesion Policy.

We cannot just take it for granted that Cohesion Policy will continue as “business as usual” in the future.

EU Cohesion Policy with its knowledge of the strength and weaknesses of each region of the EU can create the support “*in situ*” thus benefitting the whole population in their daily lives.

5. A future for Cohesion Policy

Cohesion Policy is already a pillar of European security – far beyond military defence. Security and true resilience depend on strong, cohesive regions: economically, socially, as well as environmentally and institutionally. In the framework of the current geopolitical situation, Member States and regions will be asked to make a meaningful contribution, assuming their share of responsibility and prepare to respond to EU security and defence challenges; adapting skills to match the employment needs; supporting regional innovation and business development initiatives that drive innovation; promote dual-use technologies serving both civilian and military needs; investing in critical infrastructure, as well as in stronger support for regions at the Eastern borders of the EU which have special needs regarding their security and defence.

In light of the above and considering the importance of a post-2027 Cohesion Policy that does not lose sight of the “do no harm to cohesion” principle³, the following elements will be essential to consider when formulating an S&D position:

- **A Cohesion Policy that requires a robust budget.** The means for increased European defence capabilities must be, however, based on new funding sources rather (such as the SAFE programme to raise and distribute €150 billion in low-interest loans to facilitate the purchase of advanced weapons and ammunition) than diverting funds from the EU Cohesion Policy, which are essential for employment, social inclusion, public services, competitiveness and territorial equality. We cannot increase the EU budget for new priorities, such as defence, at the expense of an EU policy that helps the EU’s poorer regions.
- **A Cohesion Policy as a long-term EU instrument** which is a critical tool that can tie the Union’s strategic security and resilience, providing appropriate resources to needs via local investments within and across the regions while drawing on the strength of each region;

³ The 'do no harm to cohesion' principle, introduced by the European Commission in the 8th Cohesion Report (9/2/2022), puts an emphasis on enhancing the coherence between cohesion policy and other EU policies

- **A Cohesion Policy that looks beyond the GDP as the main indicator** for the allocation of resources. Regions with the same GDP may have vastly different characteristics, which may require very different investments. Work should be undertaken to define a set of indicators that, inter alia, take into account socio-economic aspects (poverty and social exclusion, sectoral structure of an economy, health, access to decent and affordable housing etc.), security aspects (exposure to security threats posed by a shared border with Russia and/or Belarus; needs to invest in defence, border management, and security and preparedness overall etc.), demographic climate and environmental aspects (exposure to the effects of climate change, therefore adaptation needs, etc.), demographic challenges (depopulation, ageing of population etc.). Cohesion Policy should also continue to be gender sensitive; meaning its impact on gender equality should be anticipated and monitored.
- **Increasing multi-level-governance.** It is necessary to shift thinking towards a place-based approach, adapting to the particular spending needs of each region. Involvement of local and regional governments in deciding, implementing and monitoring the usage of funds should also be enhanced, as regions and municipalities are the administrations closest to our citizens. Full information and involvement of local and regional actors, trade unions and Civil Society Organisations from the start, to ensure that the partnership principle is respected and that all municipalities and regions can become successful advocates for their needs.
- **A more flexible and effective Cohesion Policy,** able to adapt to the particular unforeseen emerging needs, also over the timespan of each programme, without deviating from its main objective. To this end, we support the creation of a financial reserve for unforeseen events, such as unfolding crisis.
- **A simpler Cohesion Policy in administrative terms.** We must remove unnecessary administrative hurdles and restore confidence with local and regional managing authorities; avoid duplication and national gold plating that currently occur in the process of allocating and justifying Cohesion Policy funds. We promote a completely renewed approach that includes the principles of proportionality and prevention, among others. The legislature and the funds must follow a faster path from the conception in the institutions and ensure transparency towards our citizens.
- **A Cohesion Policy that places social justice at the core of the green, digital and demographic transition** as a way to create a better life and environment for all citizens. Besides, Cohesion Policy funds should continue the roll out of broadband, 5G/6G and Wi-Fi for all. In the digital era, we must make sure that no one is left behind.

- **A Cohesion Policy that contributes to a just transition in all regions**, particularly in those affected by the transition to a climate-neutral circular economy, by strengthening and broadening the scope of its policy tools cushioning the adverse effects of industrial transformation and creating new opportunities in future-oriented sectors. The Just Transition Fund would best serve its scope avoiding duplications and overlaps in its implementation. We believe, however, that despite these flaws it is essential to maintain its specific focus and adequate allocation.

In addition, European territorial cooperation (ETC) is the epitome of European added value and, as such, should be strengthened in the future. Border regions account for 40% of EU territory, and 30% of the EU population live in border regions. For this reason, funding for cross-border cooperation should be increased in the next programming period. Furthermore, global security aspects were brought to the fore by the military invasion of Ukraine by Russia (exposure to security threats posed by a shared border with Russia and Belarus; needs to invest in defence, border management, and security and in overall preparedness).

- **A Cohesion Policy that ensures quality jobs, helps regions in the development trap and strives to combat the demographic challenges** that threaten many EU regions. One of the Union's strengths is human capital, seriously endangered by current demographic trends. Cohesion Policy, defined as the best long-term, place-based policy available to the EU, is undoubtedly a unique tool (together with the European Agricultural Fund for Rural Development) capable of reversing trends, ensuring the people's effective right to stay in their regions and preventing depopulation by guaranteeing access to basic services, connectivity and infrastructure, as well as balancing growth between EU regions.
- **A Cohesion Policy that tackles intra-regional disparities**, including in economically stronger regions, in which vulnerable areas with weak indicators appear. This is especially the case in the major EU capitals, which leaves many citizens with what we know today as the "geography of discontent"⁴. This is a fact that can jeopardise the internal cohesion of any region, weakening it in the face of future unexpected developments. We therefore call for the possibility to have a higher financing rate on social issues in order to give equal opportunities and access to basic public services across Europe.

⁴ Geography of discontent: regional development traps lead to less support for European integration and values

- **A better-funded Cohesion Policy** that fuels a much-needed European housing strategy, concretely contributing to solve the pressing EU-wide housing crisis. We shall foster adequate reforms to widen the investment in housing, going beyond the two current possibilities (energy efficiency and social housing). Building on a multi-level approach and combining a set of measures and initiatives, including under cohesion policy, backed up by financial support of the EIB. In this regard, we need to be able to invest at least €50 billion in the creation of a public stock of quality houses all across the EU.
- **A Cohesion Policy that addresses the specific needs of outermost regions and sparsely populated areas.** These regions face unique challenges due to their geographical remoteness, insularity, small size, difficult topography, and economic dependence on a limited number of sectors. Cohesion Policy should keep providing tailored support to outermost regions and sparsely populated areas to help them overcome structural disadvantages, fully integrate into the EU internal market, and enhance their resilience to, for example, climate change and economic crisis.
- **A Cohesion Policy that strengthens macro-regional strategies,** which play a key role in promoting cross-border cooperation on common issues. In particular, the creation of a macro-regional strategy in the Mediterranean represents a unique opportunity to address multidimensional environmental challenges across the basin, including sustainable water management and the fight against marine pollution.
- **A Cohesion Policy that enhances the role of European Territorial Agenda.** This is a way of achieving an integrated vision of the territory (both urban and non-urban), which we must exploit further. In this way, we will take into account the needs of the territory as a whole. The future Cohesion Policy should place greater emphasis on tools for territorial development, so that citizens can help to define their priorities and develop projects, by strengthening the Funds' management capacities of local and other territorial authorities.
- **A future Cohesion Policy can only “blossom” with a strong financial basis:** not less than in the current financial period in real terms, to be able to cater for the needs of current and future Member States. In view of the investment needs ahead, the effective and complementary mobilisation of both EU and member states' funding will be required to secure a strong financial basis.

- **A future Cohesion Policy in better communication with the citizens** in order to raise awareness about what the EU currently does for them and their territory and thus contribute to increasing their attachment to the European project.
- **A Cohesion Policy that focuses on the strengthening of the institutional dimension**, introduces modern policy-making tools, contributes to the development of an administration guided by common values and ways of action.
- **A Cohesion Policy that is resilient to fraud**, corruption, and any attempts to misdirect its funding away from its original mission and agreed programme priorities towards investments that favour particular party, political or private interests. For this, conditionalities as well as built-in tools to prevent, detect and correct irregularities, including fraud and disrespect of workers' rights, need to be strengthened, and the correct application of the partnership principle, transparency requirements and anti-fraud policies need to be strictly enforced.

In short, it is a matter of keeping our focus on EU citizens and designing a Cohesion Policy as a foundation for real equality of opportunity between territories – and, therefore, of its citizens – so that no one is left behind.

Over the years, Cohesion Policy has proven to be a reliable tool for promoting balanced economic development across the EU and for tackling emergencies – from COVID-19 and the war in Ukraine to the energy crisis. However, we believe that it must be further reinforced and modernised – without losing its identity – to remain central to the European Project. A reinforced Cohesion Policy will support the future deepening and enlargement of the European Union.

The S&D Group guarantees it.