

COHESION POLICY AGENDA 2024-2029

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Abstract

The European Council adopted the EU Strategic agenda. In this context, this study provides an overview about the Agenda's implications and also about the 9th Cohesion Report. In this study, a comparison of Cohesion Policy in the EU Strategic Agendas developed for the 2019-2024 and the one developed for 2024-2029 revealed significant differences, adapted to each period's needs, but also common points which remained current in the period 2024-2029. This study underscores that both Agendas admit the importance of cohesion policy in fostering balanced development and reducing disparities among EU regions. Therefore, possible ways to the future were formulated.

Keywords: cohesion policy, Strategic Agenda, regional development, 9th Cohesion Report.

Clasificare JEL : R11, R58, Q18

1. Introduction and context of the study

In conjunction with the European elections, the European Council, that define the European Union's general political directions, formulated the EU's strategic agenda for the next five year [13]. The strategy for 2024-2029, adopted on June 27, 2024, outlines key priorities for the EU, focusing on issues such as security, resilience, energy, migration, global engagement, and enlargement [14]. This collective effort, led by European Council President, involves extensive consultations and discussions among EU leaders to address economic and geopolitical challenges, ensuring a robust and unified approach to future crises and opportunities [14].

2. Findings of the research

This subchapter it was organised in four main sections: Cohesion Policy, Main Challenges Emphasized in the 9th Cohesion Report, Main Findings and Concerns of the European Council's Conclusions on the 9th Cohesion Report and Comparison of Cohesion Policy in the EU Strategic Agendas for 2019-2024 and 2024-2029, for a complete analyse of the subject.

2.1. Cohesion Policy

When it comes to cohesion policy, it remains a pivotal element in the EU's Strategic Agenda for 2024-2029, playing a significant role in promoting balanced regional development and reducing disparities across the Union [14]. In general, EU Cohesion Policy is expected to support especially the following two main policy objectives: the reduction of disparities between different levels of development and the increasing of economic growth [21]. In their study Bachtrögler et al. [1], concluded also that the support offered by the Cohesion Policy encourage the firm growth in size. This policy aims to foster economic, social, and territorial cohesion, crucial for the stability and integration of the EU. It supports the digital and green transformation, ensuring that regions adapt to new economic and environmental challenges [24]. The regional economic and social development represent a subject in a strong connection with cohesion policy and it was studied by numerous authors, like: Di Caro and Fratesi [6], Dall'Erba and Fang [5], Ehrlich and Overman [7]. The strategic agenda underscores the importance of resilience and inclusive growth, vital for a more unified and prosperous Europe.

The European Council has approved conclusions on the 9th Cohesion Report, assessing the EU's economic, social, and territorial cohesion. The report highlights significant economic and social convergence in many regions over recent decades, while also pointing out persistent disparities and emerging challenges [14].

Key issues include the green and digital transitions, climate change, migration, competitiveness, strategic autonomy, and geopolitical instability at the EU's external borders. The Council particularly notes demographic challenges and significant socio-economic disparities at the sub-national level, with many regions facing economic stagnation and development traps.

Considering these findings, the Council invited the Commission to develop tailored support strategies for regions post-2027, focusing on green, digital, industrial, and demographic challenges, and varying levels of socio-economic development [14].

The Council reaffirmed essential principles such as shared management, multi-level governance, a place-based approach, and partnership principles. It also emphasizes the need for simplifying cohesion policy implementation and enhancing good governance and capacity building to ensure the policy effectively meets its objectives [4].

The conclusions of the Council are legally significant because they reflect the collective agreement of EU Member States on policy directions and priorities. These conclusions provide a mandate for the European Commission and other EU institutions to develop and implement policies in line with the agreed objectives. They also guide the allocation of EU funds and resources, ensuring that cohesion policy aligns with broader EU strategic goals. Moreover, the conclusions help maintain consistency and coherence in EU policies, reinforcing legal and procedural frameworks that support regional development and integration [4].

2.2. Main Challenges Emphasized in the 9th Cohesion Report

In this subsection, aspects regarding the main challenges highlighted in the 9th Cohesion Report, were discussed: demographic changes, economic divergence, green and digital transitions and geopolitical instability and global competitiveness.

- **Demographic Changes**

The 9th Cohesion Report highlights significant demographic shifts as a major challenge, particularly in rural and remote areas experiencing depopulation and brain drain. By 2023, approximately 120 million EU citizens resided in less developed regions, with 60 million living in areas where GDP per capita is lower than in 2000 [10].

These demographic trends exacerbate skills and labour shortages, leading to economic stagnation and development traps [20]. To address these issues, cohesion policy post-2027 must focus on providing tailored support to affected regions [14]; [24]. This includes investments in education, vocational training, and infrastructure development to retain and attract skilled workers, thereby revitalizing these communities. [17]

- **Economic Divergence**

In addition to this, economic disparities remain a significant challenge, with considerable divergence in growth rates and development levels across EU regions. One-third of the EU's population lives in regions where GDP per capita growth has been less than 0.5% per year since 2000 [9].

These disparities contribute to social exclusion and economic instability. Post-2027 cohesion policy should prioritize reducing these economic disparities by supporting innovation, enhancing connectivity, and improving access to markets. Targeted investments in less developed

regions can help stimulate economic activity, create jobs, and foster sustainable development, promoting more balanced growth across the Union European [24]; [9].

- **Green and Digital Transitions**

The report emphasizes the need for regions to adapt to the green and digital transitions, which are crucial for achieving long-term sustainability and competitiveness. However, the transition poses challenges, particularly for regions lacking the necessary infrastructure and skills. Currently, only 61% of rural areas have access to high-speed broadband, compared to 86% in urban areas [16] [9].

Cohesion policy must bridge this digital divide by investing in digital infrastructure and promoting digital literacy. Additionally, supporting the green transition requires substantial investments in renewable energy and sustainable practices. The EU aims to allocate at least 30% of its budget to climate-related objectives, amounting to over €500 billion for the 2021-2027 period [9]; [16].

- **Geopolitical Instability and Global Competitiveness**

Geopolitical instability, especially due to conflicts like the Russian aggression against Ukraine, poses significant risks to EU regions, particularly those near conflict zones. These challenges impact global value chains and regional economies. Furthermore, the EU's share of global GDP has decreased from 25% in 1991 to less than 17% in 2022, highlighting the need to enhance global competitiveness.

Post-2027 cohesion policy should focus on strengthening regional economic resilience by supporting innovation, improving infrastructure, and fostering strategic autonomy. Enhancing regional economic strengths and integrating with global value chains can help the EU maintain its competitiveness and ensure long-term stability and growth.

2.3. Main Findings and Concerns of the European Council's Conclusions on the 9th Cohesion Report

In this subsection aspects regarding the main findings and concerns highlighted in the 9th Cohesion Report, were discussed: economic and social convergence, addressing structural and emerging challenges and solutions and future directions.

- **Economic and Social Convergence**

The European Council's conclusions acknowledge that many EU regions have experienced significant upward economic and social convergence over the past decades. This progress is largely due to cohesion policy, which has strengthened the Single Market, facilitated the integration of new Member States, and substantially increased GDP per capita in less developed regions [14].

Additionally, cohesion policy has supported public investment, leveraged private investment, and generated job creation, thereby contributing to the EU's overall competitiveness and productivity growth [3].

Letta's [19] analysis in "Much More Than a Market" emphasizes the intrinsic connection between the Single Market and the EU's cohesion policy. He points out that the Single Market was designed to enhance competition and innovation while ensuring that all regions benefit equally. Cohesion funds were introduced to reduce regional disparities and promote balanced economic development across the EU [19].

To address these challenges, Letta advocates for a more integrated approach where cohesion policy and the Single Market work together to drive sustainable and inclusive growth. This includes enhancing connectivity, promoting innovation and entrepreneurship, and improving human capital. By aligning cohesion policy with broader EU strategic goals, such as the European Green Deal and the Digital Agenda, the Single Market can continue to be a powerful engine for growth and stability, ensuring that all regions can thrive in an increasingly competitive global environment. [19]

- **Addressing Structural and Emerging Challenges**

Despite positive trends, the 9th Cohesion Report highlights ongoing and emerging challenges that need addressing to prevent widening disparities across the EU. Key challenges include green and digital transitions, climate change, migration, increased global competition, and the need for EU competitiveness and strategic autonomy. The Council expresses particular concern about demographic challenges that exacerbate skills and labour shortages, especially in rural and remote areas experiencing depopulation and brain drain. Additionally, geopolitical instability, particularly due to Russia's aggression against Ukraine, complicates the situation for regions near conflict zones [8], [18].

The EU faces significant demographic challenges, such as an ageing population, declining birth rates, and brain drain, particularly in rural and remote areas. The birth rate in the EU has declined from 4.7 million in 2008 to 3.8 million in 2022. [16]

These demographic shifts exacerbate skills and labor shortages, threatening regional economic stability and growth. Cohesion policy is crucial for addressing these issues by fostering regional development and providing targeted support to areas most affected by these demographic trends. This trend underscores the urgent need for policies that can mitigate the adverse effects of an ageing workforce and depopulation, especially in rural and remote areas [12]; [20]; [18].

To address these demographic challenges, cohesion policy plays a pivotal role in supporting balanced regional development and ensuring all regions benefit from economic growth. The policy provides targeted investments in infrastructure, education, and healthcare to improve quality of life and economic opportunities in rural and remote areas, reducing the need for migration.

Post-2027, cohesion policy emphasizes the necessity of tailored support to effectively manage demographic, digital, industrial, and socio-economic challenges. Enhancing local education and training programs to equip the workforce with necessary skills aims to retain young people in their home regions by providing viable career opportunities [17].

Strategic recommendations include developing strategies that offer tailored support to regions most affected by demographic challenges, investing in local economies to stimulate economic activity and create jobs, and simplifying administrative procedures to enhance the capacity of regional and local authorities to utilize cohesion funds effectively. Promoting sustainable development practices that leverage local resources and strengths can make these regions more resilient and self-sufficient.

Additionally, fostering multi-level governance and a place-based approach ensures that the specific needs of each region are met, promoting inclusive growth and reducing disparities. Letta's report presents a comprehensive vision for leveraging cohesion policy to address demographic challenges within the EU, aiming to mitigate the adverse effects of demographic shifts and ensure balanced and sustainable growth across all its regions. [19]

- **Solutions and Future Directions**

To tackle these challenges, the Council invited the Commission to develop tailored support strategies for regions post-2027, focusing on green, digital, industrial, and demographic challenges

and varying levels of socio-economic development. The Council reaffirmed key principles such as shared management, multi-level governance, a place-based approach, and the partnership principle, which should be preserved in the post-2027 cohesion policy. [10]

2.4. Comparison of Cohesion Policy in the EU Strategic Agendas for 2019-2024 and 2024-2029

In this subsection a comparative analysis of the EU Strategic Agenda for the period 2019-2024 and 2024-2029 in order to provide a complete overview. In this regard, aspects like: emphasis on economic, social, and territorial cohesion, climate and social policies, enhanced focus on resilience and adaptation, shift in climate focus, new elements and strategic autonomy and integration with broader policies.

a) Strategic Agenda 2019-2024

- **Emphasis on Economic, Social, and Territorial Cohesion:**

The 2019-2024 agenda strongly emphasized the importance of economic, social, and territorial cohesion. It aimed to ensure balanced development across all EU regions, reducing disparities and fostering inclusive growth. Cohesion policy was seen as critical for achieving sustainable growth and promoting equality among regions, contributing to the overall economic stability of the EU.

- **Climate and Social Policies:**

This agenda integrated cohesion policy with significant climate action and social policies. The European Green Deal and the European Pillar of Social Rights were central to its objectives. Efforts were made to ensure that climate and social policies supported cohesive development, addressing inequalities, and ensuring that no region was left behind in the green transition [10].

b) Strategic Agenda 2024-2029

- **Enhanced Focus on Resilience and Adaptation:**

The 2024-2029 agenda continues to prioritize cohesion but with a renewed focus on resilience and adaptation to current challenges. This includes addressing economic shocks, geopolitical tensions, and the aftermath of the COVID-19 pandemic. Cohesion policy now explicitly aims to support digital and green transitions, integrating these modern challenges into the framework of regional development [13].

- **Shift in Climate Focus:**

While climate issues remain a part of the agenda, their centrality has decreased compared to the previous cycle. The focus has shifted towards enhancing economic competitiveness and security, reflecting a pragmatic approach to climate transition. The agenda emphasizes the need for pragmatic steps towards climate neutrality by 2050, balancing environmental goals with economic realities.

New Elements and Strategic Autonomy:

The 2024-2029 agenda introduces new elements such as digital transformation and strategic autonomy, aiming to strengthen the EU's technological and industrial capacities. The concept of strategic autonomy underscores the importance of reducing dependencies on external actors and enhancing the EU's internal capabilities, which is a new aspect compared to the previous agenda. [15]

Integration with Broader Policies:

Cohesion policy is integrated with broader policies on competitiveness, digital transformation, and strategic autonomy. This reflects an understanding that regional development must align with the EU's overarching strategic goals.

There is a stronger emphasis on public and private investment, particularly in sectors critical for future competitiveness and resilience, such as technology and industry.

Both agendas underscore the importance of cohesion policy in fostering balanced development and reducing disparities among EU regions. However, the 2024-2029 agenda places a greater emphasis on resilience, adaptation to modern challenges, and integrating digital and green transitions into regional development strategies.

The focus on economic competitiveness and strategic autonomy marks a shift from the previous agenda, which had a stronger emphasis on climate action and social policies. This evolution reflects the EU's response to recent crises and its forward-looking approach to maintaining stability and growth in a changing global landscape [9].

3. Conclusions and recommendations

As a result of this paper, key recommendations for the future of Cohesion Policy Post-2027 were formulated:

- **Reaffirm Core Principles**

Budget Allocation: Cohesion Policy should continue to receive at least one-third of the EU's budget to support all regions effectively. This reflects the policy's critical role in promoting economic, social, and territorial cohesion across the EU.

Principles: The core principles of Partnership, multi-level governance, and place-based development must be strengthened and embedded into other EU policies to ensure coordinated and effective regional development [4].

- **Strengthen the Partnership Principle**

Code of Conduct: The European Code of Conduct on the Partnership Principle should be revised to ensure its comprehensive implementation. This involves broadening its scope to include other EU policies, particularly the European Semester, allowing investments and reform priorities to be decided collaboratively with local and regional governments.

Stakeholder Involvement: Involving stakeholders in decision-making is crucial. Transparency in the selection of monitoring committees and mandatory responses to stakeholder feedback at all stages are necessary to uphold this principle [10].

- **Simplify Cohesion Policy Framework**

Integrated Funding: A single set of rules for beneficiaries and fewer different funds would simplify the framework. This change would allow local and regional governments to finance integrated territorial development projects more easily, combining various funds without navigating multiple regulations.

Flexibility: The policy should allow for the easy shifting of funds to different priorities without additional administrative burdens. This would enable managing authorities to adapt quickly to emerging needs and crises [10].

- **Enhance Local and Regional Investments**

Mandatory Thematic Concentration: At least 40% of Cohesion Policy funds should be allocated to local and regional public services and investments. This ensures that resources are directed where they can have the most direct impact on citizens' lives.

Beneficiary Transparency: Ensuring that at least 60% of Cohesion Policy beneficiaries are local and regional governments would increase transparency and accountability. Publicly available lists of beneficiaries and the top 100 beneficiaries in each Member State would enhance oversight and trust in the policy's implementation [2].

- **Address Demographic and Territorial Challenges**

Place-Based Approach: Cohesion Policy must continue to use a place-based approach to address the specific challenges of various territories, including urban, peripheral, remote, and rural areas. This approach ensures tailored support that meets the unique needs of each region.

Co-Financing: Co-financing rates should be calculated at the NUTS 3 level to better reflect specific territorial challenges, ensuring that funds are distributed equitably and effectively [4].

- **Encourage Cross-Border Cooperation**

Interreg Programme: Strengthening the Interreg programme would facilitate exchanges and cooperation between European territories, including non-EU regions. This support should include technical exchange programmes aimed at building the capacities of local and regional governments [10].

- **Use of Integrated Territorial Investments (ITI) and Community-Led Local Development (CLLD)**

Dedicated Funding: Increased EU co-financing for ITI and CLLD projects would encourage their use. These tools should have dedicated earmarked funding to support their implementation.

Local Ownership: Ensuring that local stakeholders play a key role in the implementation of these tools is essential. This includes entrusting local and regional governments with the selection of local projects funded through these mechanisms [11].

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