

TESSA MEMORANDUM:

Towards Efficient, Simpler, Strategic Assistance under post-2027 Cohesion Policy¹

The primary goal of this document is to present arguments in favour of elevating the importance of **socio-economic and territorial (SET) COHESION** within the hierarchy of EU political objectives. It also aims to outline the directions for changes in selected aspects of **COHESION POLICY** to enhance its effectiveness and efficiency in achieving its Treaty objectives.

CONTEXT

In July 2024, Ursula von der Leyen, President-designate of the European Commission, outlined the priorities for the new Commission. These priorities focus on enhancing the EU's competitiveness and transformations required to be supported by the EU budget to achieve them, including green, digital, and demographic shifts. She also disclosed plans for significant changes to the programming and implementation of EU policies under the Multiannual Financial Framework (MFF) post-2027.

The political significance of cohesion and territorial approach that involves sub-national authorities has been merely acknowledged. It remains unclear how the proposed modifications will affect the budgetary position and the role of COHESION POLICY in the new MFF, as well as how COHESION, a Treaty objective, will be pursued.

Moreover, the understanding of the COHESION objective has evolved recently. The discourse on COHESION is no longer dominated solely by ambitions of convergence and catching up. The concept of growth has gradually been replaced by notions of resilience, competitiveness, and the fulfilment of self-actualization needs. In this context, even developed regions face new challenges such as limited development prospects, and difficulties in adapting to structural changes or demographic shifts.

All these issues are more pronounced at the local and regional level, making COHESION a more subnational than supranational challenge. Consequently, a more nuanced approach is required to pursue COHESION and effectively address the needs of both developed and developing EU regions.

KEY MESSAGES IN A NUTSHELL

1. Socio-economic and territorial (SET) COHESION is essential for EU integration, grounded in democratic values, and should focus on enhancing competitiveness and resilience, ensuring spatial justice, and improving public administration. It is crucial to integrate SET COHESION into the European Semester and to enhance the ability of COHESION POLICY to coordinate EU and national structural policies at the territorial level.
2. COHESION POLICY should operate as a comprehensive, integrated-policy effort across various territorial levels, designed to unlock and maximize the development potential of all EU regions and to reduce unacceptable disparities, with a particular focus on underdeveloped, stagnant, or border areas. It shall be based on prioritizing result-oriented practices, increasing funding post-2027, and improving institutional quality.

¹ This paper was developed by a group of experts specializing in territorial development and cohesion policy, invited by the Department of Strategy at the Ministry of Development Funds and Regional Policy.

SOCIO-ECONOMIC AND TERRITORIAL (SET) COHESION

A. SET COHESION should be viewed as a vital condition and facilitator of EU integration, grounded in democratic values.

1. The EU continues to rely on SET COHESION in its various dimensions as a cornerstone of democracy and a catalyst for European integration. It underpins the effective operation of the European Single Market and is essential for embodying European values in social contexts. Moreover, SET COHESION plays a critical role in enhancing the EU's resilience against economic, climate, security, and migration shocks.
2. Fostering SET COHESION should be a priority in the political agenda and public initiatives across all European policies. Ignoring socio-economic and territorial disparities will diminish citizens' engagement with the European integration process and compromise the EU's attractiveness for investment.
3. Given the widespread territorially rooted social discontent across Europe, it is crucial to enhance policy measures against social exclusion and shift the concept of spatial justice in the EU policy interventions from equality of outcomes to equality of opportunities. This shift is essential for strengthening democracy, optimizing the use of EU territorial capital in its economic, social, and environmental dimensions, as well as supporting EU integration processes.
4. Enhancing EU competitiveness, resilience, and fairness requires the active involvement and accountability of CSOs/NGOs, businesses, as well as local and regional authorities in the planning and implementation of all EU policies. Ownership, commitment, and acceptance of policy directions by those affected are key preconditions for success.

B. Anchoring SET COHESION in the European Semester and integrating COHESION POLICY and territorial governance into the coordination of EU and national structural policies is crucial.

1. Given territorial differences in development needs and opportunities, achieving EU strategic objectives requires coherence between sector-specific and territorially rooted policies and programmes. To fully harness underutilised potentials and avert the gradual deterioration of the European integration model, both EU and national policies need to extend beyond their traditional focus on sector-specific objectives. They should incorporate territorial characteristics through a place-based approach.
2. The main characteristics/parameters of SET COHESION should be assessed as an element of the European Semester procedures. COHESION POLICY should contribute to the coordination of sectoral and horizontal policies, mitigating their negative territorial impacts and aligning their actions with long-term objectives.

3. While EU convergence at the national level is apparent, it alone is insufficient to meet existing and emerging challenges. Therefore, coordinated action across all policies related to SET COHESION is essential. A viable solution could be an EU Territorial Development Framework (EU TDF), which is informed by the Cohesion Report and endorsed by the European Council. The EU TDF should serve as a strategic reference for developing those parts of the Country Specific Recommendations that focus on achieving SET COHESION priorities. It should facilitate the coordination of EU and national policies across the Union, including the establishment of specific targets and milestones. Furthermore, it should guide the allocation of funds in national and sub-national programmes determining expenditures from EU policies (e.g. rural development policy) critical to achieving SET COHESION.
4. Territorial governance in the implementation of all EU and national public policies should be significantly enhanced to achieve higher efficiency in public measures through better analysis of needs and more precise matching of actions to those needs. Consequently, there is a need to expand place-based instruments that align sectoral policies with territorial capital. These instruments should foster partnerships and unlock the bottom-up engagement, creativity, and innovation potential of local and regional development stakeholders. Adopting this approach would not only elevate the significance and visibility of COHESION POLICY but also provide a structured framework for coordinating various policies that impact territorial dynamics.

C. SET COHESION should be pursued through focused efforts on enhancing competitiveness and resilience, ensuring spatial justice, and improving public administrations and services.

1. Given the rapidly growing competitiveness of major global players like the USA and China, SET COHESION within the EU should be reinforced by strengthening policy focus on enhancing the structural competitiveness and resilience of EU regions. This is particularly crucial for less developed regions or those facing specific challenges or difficulties in adapting/responding to the consequences of socio-economic, demographic shocks, or energy transformations.
2. The promotion of structural competitiveness and long-term resilience should transform from primarily supporting public investments and infrastructure to establishing optimal framework conditions for investments. This shift should be supported by structural reforms, including modifications to EU and national regulations, coupled with direct financial incentives for the private sector to boost business development, in particular innovativeness. These efforts should be grounded in and achieved through integrated, territorially based development planning.
3. Greater emphasis should be placed on developing human and social capital as key components of territorial development policies, including the enhancement of social infrastructure. Particular attention should be paid to ensuring comprehensive access to and development of essential public services such as education, childcare, long-term care, health, or public transport.
4. A pivotal element in the structural transformation of all territories is the pursuit of EU-wide climate neutrality and building resilience to ongoing climate changes. Measures should be implemented to encourage public support for investments that substantially contribute to meeting the EU's climate objectives, including backing industries and services vital to establishing a zero-emission economy.

D. COHESION POLICY should be seen as an integrated effort across various territorial levels designed to create development opportunities and capitalise on untapped territorial potentials.

1. COHESION POLICY, with its unique, Treaty-defined objective, should aim to reduce excessive socio-economic and spatial disparities, effectively harnessing the economic potential of territories without wasting territorial resources or limiting anyone's opportunities.² It should particularly focus on rising intra-regional disparities at the subregional or functional level, which, if socially and politically unacceptable, could undermine the entire EU project. It is also crucial that COHESION POLICY addresses the challenges faced by new regions stuck in development traps.
2. EU citizens should feel confident that COHESION POLICY is a mechanism that adapts policies and management actions at both the national and EU levels to address their specific needs and expectations, fostering a more spatially nuanced approach to competitiveness, green and structural transformation, and resilience. This means that COHESION POLICY should not simply operate as a top-down coordination mechanism but should actively engage in territorial dialogue.
3. A stronger focus within COHESION POLICY on territorial competitiveness, spatial justice, and institutional quality requires innovative approaches. The implementation of the Recovery and Resilience Fund (RRF) offers valuable insights, provided that its shortcomings – including territorial “blindness” – are addressed.
4. COHESION POLICY should operationalise the principle of spatial/territorial justice, which includes:
 - a) equity of opportunities: ensuring all citizens have access to educational opportunities and more;
 - b) distributive justice: providing access to essential infrastructure necessary for livelihoods and employment;
 - c) procedural justice: guaranteeing equal rights for all individuals; and
 - d) intergenerational justice: prioritizing sustainable development to ensure future generations have no less favourable starting points than the present.
5. The programming and implementation of COHESION POLICY should be coordinated at the regional level, with a greater focus on sub-regions defined by functional relations. It is important to tailor development opportunities to specific locations, rather than adopting an “EU universal development approach” aimed at the impractical goal of equalizing outcomes across all regions.³
6. To effectively foster a more competitive, resilient, and just Europe, COHESION POLICY should not be treated as merely a separate “cash machine” with its own implementation rules, but as a cross-cutting policy establishing principles to enhance EU-wide SET COHESION. At the same time, it should not be burdened with randomly set additional goals or priorities, while existing ones should be reviewed and redefined.

² Cohesion Reports should pinpoint unacceptable inequalities at various levels of territorial governance and bring them into public decision-making processes. ESPON should support this by providing relevant territorial analyses.

³ For example, spatial minimum social standard should be determined at the state or regional level, rather than imposing a single EU-wide standard.

E. COHESION POLICY should be implemented across all EU regions, prioritising those less developed and facing structural challenges.

1. Given the growing interregional and intraregional development disparities within the EU and the territorial impacts of overarching challenges, COHESION POLICY should be implemented across the entire EU, with priority given to lagging regions⁴ and those exposed to strong shocks.
2. Regions identified as having specific disadvantages should include those with low resilience to external shocks due to their: a) position within Europe-wide interregional relations and flows (migration, trade, industrial adaptation, FDIs, commuting); b) geographical location, including proximity to external borders; and c) vulnerability to climate change.
3. Among the least developed regions, a higher priority should be given to territories along the EU's external borders. New instruments are essential to address the unique challenges faced by these regions, especially those adjacent to largely impermeable land borders, such as with Russia or Belarus, or those exposed to exceptional risks in the Mediterranean Sea. These areas experience marginalization due to disrupted cross-border ties, lost income opportunities (e.g. from transit services, border trade), declining development prospects or heavy social costs of handling huge migration influx.

F. Support for cross-border cooperation (CBC) should be increased and focused on functional areas.

1. CBC has long been a cornerstone of European integration.⁵ It is crucial, however, to reconsider the rules governing the Interreg programmes. They should emphasise more the integration of local and regional communities across borders, with a strong focus on the territorial dimension. It will also be vital to delineate cross-border cooperation tasks from other COHESION POLICY objectives to prevent broader goals from overshadowing the specific aims of Interreg programmes.
2. A substantial increase in funding for CBC should be anticipated in the next MFF, reinforcing its role as a fundamental pillar of European integration. Independently, yet complementary to this, the Connecting Europe Facility (or similar CEF-like mechanisms) should be continued and potentially receive increased financial support under COHESION POLICY.
3. There is a need to enhance flexibility – both territorial and thematic – in order to adapt CBC programmes to dynamic and often unpredictable external conditions. These programmes should more precisely target the main priorities of specific cross-border territories, potentially by setting a limit on the number of thematic interventions supported. At the same time, programmes for cross-border functional areas should stem from a common development strategy.

⁴ Accumulated wealth could be considered an important metric for assessing development levels. However, implementing such a change would require extensive conceptual preparation and broad consensus among Member States. Before that, it could be assessed, for example, by ESPON and/or in the course of preparation of the Cohesion Report.

⁵ The objectives of European Territorial Cooperation (INTERREG) have evolved over various programming periods. For the 2021-2027 period the focus shifted towards strengthening institutional capacities for more effective regional development policies. This shift has gradually diminished the specificity of support for cross-border areas, integrating it more into the mainstream COHESION POLICY framework.

G. Increasing the quality of institutional capital should be recognized as a crucial objective of the COHESION POLICY, particularly in territories where deficiencies are most pronounced.⁶

1. COHESION POLICY should play a greater role in enhancing stakeholder capacity to achieve specific structural and territorial goals. A key precondition for this is the decentralisation of responsibilities for implementing COHESION POLICY across different governance tiers. Another issue should be the expansion of peer-learning mechanisms to share best practices in implementing COHESION POLICY among administrative staff at all levels, as well as social and economic partners.
2. The primary focus should be on: a) establishing a system of coordination and cooperation between policies crucial for leveraging territorial potential⁷ and institutions at different levels⁸; b) the efficiency, flexibility and proactivity of administrations involved in programming and implementing development measures; and c) the quality of regulations/institutions established and their alignment with key values and goals – also aiming to reduce red tape in COHESION POLICY.

H. COHESION POLICY requires a stronger focus on results.

1. There needs to be a shift from focusing mainly on expenditure to emphasising the results of integrated actions. A result-oriented approach should aim for outcomes beneficial to the entire EU, while also acknowledging the distinct needs and potentials of different territories to enhance the well-being of EU citizens. Such an approach necessitates the development of a new set of indicators that reflect the socio-economic conditions at various territorial levels and illustrate the interconnections among them.
2. Monitoring and evaluation tools at sub-regional and local levels should be used more extensively. This would provide insights into the impacts of place-based policies and facilitate learning from first-hand experiences to enhance the implementation of public interventions.
3. The role and position of regional managing authorities (MAs) should be strengthened to enhance the delivery of COHESION POLICY. They should concentrate on contracting for investment and structural reforms at the regional level.⁹

⁶ In many EU regions, low institutional capacity significantly hampers development. There are also marked disparities in governance quality between regions. Those with weaker institutional frameworks often show limited progress and are more vulnerable to crises. In areas with fragile institutional ecosystems, directing funds towards growth drivers such as infrastructure, skills, and innovation yields limited benefits.

⁷ This entails a broader use of strategic planning procedures to enhance integration of sectoral and territorial policies.

⁸ It is essential to ensure not just financial, but also legal, educational, and expert support to foster multi-level cooperation, strengthen the culture of dialogue, and introduce forms of cooperation tailored to specific circumstances (e.g. joint public transport or waste management systems).

⁹ Contractual mechanism, driven by negotiations and involving partnerships representing functional areas, should replace selection of individual projects. Reforms should be defined as contracted activities that extend beyond mere legislative changes to encompass structural transformations in specific intervention areas at the regional scale. This can be achieved through improvements in standards, institutional integration, and both procedural and institutional innovations.

I. There is a need for a new set of rules to enhance the efficiency and effectiveness of the COHESION POLICY and improve coordination with other strategic objectives of the EU.

1. A single COHESION POLICY fund should be established encompassing also instruments associated with rural development. This single fund would support the achievement of structural transformation goals and SET COHESION.
2. COHESION POLICY architecture and regulations should be reformed to even out the spending curve throughout the implementation period. Introducing higher pre-financing at an earlier stage would not only make sense from a macro-fiscal standpoint but also ease the burden on regional authorities in generating co-financing. A more time-consistent pattern of co-financing would enable local and regional authorities to systematically mobilize financial resources without unnecessary fluctuations.
3. COHESION POLICY should accommodate and fund experimental projects, including those with a significant risk of failure. To better focus on results in supporting enterprise innovation, it is necessary to implement strategies that allow for the execution of ambitious, high-risk innovative projects.
4. Given the widening development disparities at sub-regional and local levels, both within the EU and nationally, more targeted (granular) public interventions are becoming essential. Since the EU encompasses a diverse mosaic of regions, each with unique characteristics, a uniform application of spending minima (ring-fencings) across all regions should be avoided under COHESION POLICY. Such a practice contradicts the place-based approach that adapts strategies to the specific needs and conditions of each region.
5. COHESION POLICY should implement legal and organizational frameworks that promote subregional/functional cooperation without requiring changes to the territorial divisions or systems of EU Member States. Strengthening such cooperation should rely on the development of mandatory integrated territorial adaptation plans, tailored to the administrative and governance structures of each country.
6. Increased participation and impact of functional areas in the programming and implementation of COHESION POLICY interventions is needed to focus on building comprehensive and integrated projects. This approach moves away from fragmented and small-scale interventions, addressing the specific needs, resources, and challenges of a particular territory. This also involves enhancing the use of and increasing financial support for various territorial instruments under COHESION POLICY, including new tools designed solely by managing authorities and those previously validated, such as Integrated Territorial Investments. Additionally, this approach calls for greater flexibility of territorial instruments and the removal of existing constraints on them.
7. While the development of infrastructure, including energy and transport, should continue, it has to be more territorially focused and granular to better align with specific local needs and goals. This approach is crucial in areas where infrastructure plays a key role in: a) enhancing energy security combined with energy transition; b) supporting geopolitical security; c) facilitating modal shifts, such as investments in cross-border railways or d) closing network gaps to prevent the creation of new peripheries.

J. The post-2027 MFF should allocate increased EU funding to the COHESION POLICY.

1. There is a clear need for substantial resources dedicated to COHESION, including both an autonomous budget line for COHESION POLICY and COHESION-related allocations within other budget lines (policies).
2. Despite new challenges and the potential enlargement of the EU, there is still a significant need for sustained COHESION POLICY funding to support the current Member States.¹⁰ The allocation for COHESION POLICY in the post-2027 MFF should not be less than the inflation-adjusted amount from the 2021-2027 MFF. At the same time, the proportion of the COHESION POLICY budget in the next MFF should not decrease.
3. The expected EU enlargement deserves special attention in the planning of the post-2027 MFF, including COHESION POLICY.¹¹ If enlargement occurs during the next MFF, the budgetary implications for all the countries joining the EU are expected to be substantial.¹²

DISCLAIMER

The views expressed in this document reflect the opinions of the authors only and do not represent the official position of the Ministry of Development Funds and Regional Policy. The authors reserve the right to amend or supplement this document in response to emerging proposals and ongoing discussions on EU **socio-economic and territorial (SET) COHESION**, as well as **COHESION POLICY** beyond 2027.

¹⁰ Although Central and South-Eastern European economies have made considerable progress toward convergence over recent decades, a significant gap in standards of living and income levels still persists between these countries and those in Western Europe and Scandinavia. Moreover, these countries are experiencing increasing, or at least not decreasing, within-country income disparities, potentially as a side effect of overall successful convergence.

¹¹ An additional preliminary budget of EUR 80-90 billion should be allocated to address the financial needs of potential new Member States. This allocation should be considered provisional and contingent upon the actual timing of the new Member States' accession to the EU.

¹² All potential new entrants are economically less developed than the least prosperous current EU Member State. Ukraine alone, with its fertile land nearly the size of France and a population comparable to Poland, would require an estimated EUR 22-24 billion per year based on current MFF costing principles, with most funds allocated through the CAP and COHESION POLICY, excluding the costs of after-war reconstruction.