



C/2023/859

8.12.2023

Opinion of the European Economic and Social Committee on ‘The Recovery and Resilience Facility and cohesion policy: towards cohesion policy 2.0’

(Exploratory opinion)

(C/2023/859)

Rapporteur: **María del Carmen BARRERA CHAMORRO**

Co-rapporteur: **David SVENTEK**

Referral	Council — Spanish presidency, 18.4.2023 Letter from Mercedes CABALLERO FERNÁNDEZ, Secretary-General, Ministry of Finance and the Civil Service
Legal basis	Article 34 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Adopted in section	8.9.2023
Adopted at plenary	20.9.2023
Plenary session No	581
Outcome of vote (for/against/abstentions)	163/0/1

1. Conclusions and recommendations

1.1. The European Economic and Social Committee (EESC) stresses that the fundamental principle of cohesion policy, according to which ‘no one should be left behind’, remains sound and valid, and that civil society partners are ready to continue working towards it by means of a solid EU investment policy. The principle of the policy should be maintained, despite its imperfections.

1.2. The EESC wishes to stress that inequality of opportunity can have a detrimental effect on long-term growth and competitiveness at regional, national and EU level. Cohesion policy therefore needs to be more diversified and flexible in order to be able to pay more attention to people, especially the most vulnerable, and to better address the inequality of opportunities faced by many.

1.3. The EESC believes that the range of instruments and approaches should be broadened, modernised or revised to build a strong, effective, flexible and renewed cohesion policy, focusing more on capacity, interregional links, effectiveness of results and opportunities for beneficiaries beyond investment alone. To this end, it is essential to:

- place greater emphasis on territorial policy strategies, such as integrated territorial investment (ITI) and community-led local development, so that citizens can set their own priorities and define development projects. The fund management capacities of local, urban and territorial authorities should therefore be strengthened, without losing sight of the need for consistency;
- ensure that the use of funds from the Recovery and Resilience Facility (RRF) is fully compatible with the implementation of the future cohesion policy and that investments and programmes already launched under the RRF are not put on hold as a result of changes to the financing of the Facility. These investments are essential to the cohesion objectives and, if they are stopped, this could have a highly negative impact on the development of regions and territories and particularly on the needs of vulnerable groups of people;

- particular attention should be paid to categories of people with lower employment rates (women, young people, immigrants, those with lower levels of education), for whom specific training, reskilling and support programmes are needed on the ground;
- it is essential to enhance the potential of cross-border labour markets, which are underdeveloped due to legal and administrative barriers. To this end, cross-border and interregional cooperation, especially for infrastructure development, must be strengthened;
- continue protecting SMEs and their sustainability. To this end, the existing standard European instruments, such as the European Social Fund, the European Regional Development Fund (ERDF), the Cohesion Fund and the Just Transition Mechanism, should be used in an innovative but simple way so that SMEs can easily access finance and obtain favourable credit conditions in the long term;
- the financing of large companies should also be seen as an important factor for convergence, especially as regards strategic technologies through the new STEP (Strategic Technologies for Europe Platform) instrument that has recently been proposed;
- create new types of economic prospects for less developed, peripheral, sparsely populated rural areas, EU islands and outermost regions. It is also necessary to address the gaps between rural areas, urban areas and city centres, as well as the demographic changes in these areas, while strengthening the links between them;
- promote initiatives to carefully identify and address the specific needs of regions and territories in development traps and help them overcome their challenges;
- strengthen the administrative capacity of the various levels of government, beneficiaries and other national, regional and local stakeholders, and provide more tailored technical support to improve policy implementation on the ground;
- the best practices, effective policy measures and specific funding currently implemented by the RRF should also continue to function under the new cohesion policy.

1.4. To achieve the objectives of cohesion, the EESC considers it essential to promote interaction between EU cross-cutting policies and cohesion policy, with the aim of enhancing the effectiveness of efforts to achieve regional convergence through territorially-oriented measures, in line with the EU's fundamental objectives. Ensuring interaction between national policies and cohesion policy is also essential.

1.5. The EESC believes that diversification and specialisation should be further differentiated in terms of financial support, support arrangements, budget management, objectives and investment. In order to achieve this greater specialisation in cohesion policy, the social partners and civil society organisations must be involved at all levels in the Member States through appropriate cooperation agreements, given that this is a powerful tool for designing and adapting policies and funds to local and regional circumstances.

1.6. The EESC considers it particularly important to call on the EU Member States and regions to involve the social partners and other civil society organisations as broadly and genuinely as possible in shaping cohesion policy and monitoring its effects. This involvement can help address the pressure on democracy by increasing ownership of EU policies. In this context, the EESC welcomes the Spanish government's request for an exploratory opinion that addresses the creation of a more effective instrument capable of improving cohesion policy in order to achieve convergence between European regions.

1.7. The EESC is therefore convinced that cohesion policy should remain the EU's key investment policy to support European regional policy on adapting to climate goals, with the aim of creating a carbon-neutral society and achieving a transition with a positive impact in terms of generating stable, high-quality employment. Thanks to NextGenerationEU, the

EU's fiscal capacity has increased significantly (by around 0,7 % of EU GDP). This makes it possible to continue developing a number of innovative measures, such as the Interregional Innovation Investments initiative (I-3), the just transition and a more developed ITI approach that respects the 'place-based' principle, among other things. It is strongly recommended to ensure the commitment of the future cohesion policy in these areas.

1.8. The EESC believes that cohesion policy needs to strengthen digital investments in existing programmes aimed at bridging the digital divide, as the digital transition entails a risk of creating social and territorial gaps, with effects on the labour market resulting from automation and artificial intelligence, unequal access to digital services and unequal digital skills of workers and businesses.

1.9. The EESC considers that cohesion policy must ensure that the benefits of digitalisation are distributed in an effective and equitable manner, given that new emerging technologies demand more skills from workers and the ageing population, which makes it difficult for them to participate in the labour market. Ensuring access to training and retraining is essential to ensure that regions continue to develop.

1.10. The EESC considers it essential to streamline cohesion policy for beneficiaries through simplification and flexibility in the implementation of the funds, which should be used to achieve their objectives. National and EU funds implemented under shared management require clear and simple rules in a single regulation, while the administrative capacity of regional, local and civil society actors needs to be improved.

2. General context

2.1. Social, economic and territorial cohesion is rooted in the Treaty on the Functioning of the EU (TFEU) and is one of the aims of cohesion policy. These aims have been hampered by the pandemic crisis, the effects of which have not yet been overcome and which provoked the largest recession since 1945, and now by the inflation crisis; this has slowed down the pace of convergence, as it has had a greater adverse impact on less developed regions. These negative effects in terms of cohesion are compounded by the crisis caused by the war in Ukraine and the challenge of the climate emergency.

2.2. The EESC appreciates the Commission's Communication on the 8th Cohesion Report: Cohesion in Europe towards 2050 ⁽¹⁾. The report concludes that investments should be oriented towards the opportunities for growth offered by the green and digital transitions in order to avoid new disparities.

2.3. The EESC welcomes the creation of the High Level Group (HLG) on the future of cohesion policy. It also notes that civil society is underrepresented in the work of the HLG and asks the Commission for it to be more involved.

2.4. The EESC stresses that the fundamental principle of cohesion policy according to which 'no one should be left behind' remains accurate and valid, and that civil society partners are ready to continue working towards it.

2.5. It is true that cohesion policy is sometimes perceived as a redistribution policy and its results are not always understood. This is aggravated by the fact that disparities remain, that there are difficulties in helping certain regions in development traps, and that it is impossible for some regions to catch up, even with the support of cohesion policy.

⁽¹⁾ COM(2022) 34 final.

2.6. To achieve the aims of cohesion, interaction between cross-cutting EU policies and cohesion policy should be promoted in order to make efforts to achieve regional convergence through territorially targeted measures, alongside the EU's core objectives, more effective. Interaction between national policies and cohesion policy is also essential. To achieve territorial success through development strategies, the way in which EU priorities are broken down at regional and local level is key.

2.7. The recent use of cohesion policy support for crisis measures, including greater flexibility, raises questions about the right balance between the short- and long-term objectives of the policy. National policies cannot entrust cohesion policy alone with the role of promoting regional development and national convergence.

2.8. It is necessary to look for ways of redesigning cohesion policy in the context of the European Growth Model and of current and emerging challenges, as the perception that cohesion policy has become more complex hampers its effectiveness. The main challenges include the transition to climate neutrality, the inflation crisis, demographic changes, social resilience, digitalisation and innovation, and the consolidation of a competitive European economy, considering the strategic autonomy required by the current geopolitical situation.

3. General comments

3.1. Despite the visible positive contribution made by cohesion policy as it currently functions, the regional convergence process remains somewhat gradual. The EESC envisages a future cohesion policy that balances the need to reduce regional differences with the need to accelerate development and growth impulses, which are also important for the EU as a whole from an integral and comparative point of view. Therefore, the performance criteria of cohesion policy need to be strengthened by focusing more precisely on regional development priorities, the attainment of set criteria and increased use of types of performance-based support (financial instruments). The EESC recommends taking into consideration the milestones and targets currently adopted within the RRF's National Recovery and Resilience Plans.

3.2. Social cohesion is facing growing challenges, especially in the context of demographic trends, the twin green and digital transitions, and the consequent need for new or updated skills. A large section of the EU population is at risk of poverty or social exclusion, often in the poorest regions but also in wealthy urban agglomerations and their surrounding areas. Moreover, youth unemployment and child poverty remain high throughout the EU.

3.3. The EESC wishes to stress that inequality of opportunity can have a detrimental effect on long-term growth and competitiveness at regional, national and EU level. Therefore, and in line with the ambition to bring the EU closer to citizens and leave no one behind, more attention needs to be paid to people and the inequality of opportunity many of them face.

3.4. This is why we need a deeper and more socially focused cohesion policy approach that addresses territorial, economic and social disparities and challenges in greater detail. The disparities do not only exist between Member States and their regions, but also between regions, cities, specific areas thereof, and rural areas. Cohesion policy should focus more on certain types of territories below NUTS2 level, covering as a matter of priority all Member States and regions, with particular emphasis on those Member States or regions where disparities are greatest. The EESC also believes that cohesion policy should focus more on the needs and opportunities of certain types of people and social groups.

3.4.1. This increased diversification and specialisation should be further differentiated in terms of financial support, support arrangements, budget management, objectives and investment. At the same time, cohesion policy funds should consistently follow the same approach and, in view of this increased specialisation, be more differentiated.

3.5. The EESC considers it especially important to call on the EU Member States and regions to involve the social partners and other civil society organisations as widely and effectively as possible in devising cohesion policy and monitoring its effects. This will also help measure the extent to which cohesion policy objectives have been achieved; those objectives should not be based solely on quantitative indicators but also on quality indicators (measuring development, not just growth).

4. Specific comments

4.1. The 8th Cohesion Report highlights climate change, the digital transition and technological transformations, pressure on democracy, changes in the global economy and demographic trends as major interdependent challenges affecting the social, economic and territorial cohesion of the EU. Cohesion policy should ensure that the twin transitions are fair for people and balanced for all regions.

4.2. The EESC agrees with the Council Recommendation on 'Ensuring a just transition towards climate neutrality', which states that creating new good quality jobs, maintaining good working conditions and ensuring inclusive access to education, training and lifelong learning in green skills will be key to ensuring that the transition is socially just and economically successful for all territories.

4.3. Cohesion policy should focus on further supporting investments in sustainable energy, the environment, resource efficiency, climate change adaptation and mitigation, and sustainable urban mobility, with a view to creating a carbon-neutral society. Many of these issues have been financed by the Recovery and Resilience Funds. It is important to continue investing in these policies using all possible programmes and strategies, such as macro-regional and interregional ones.

4.4. The EESC believes that more intensive synergies within the Just Transition Mechanism (JTM) as a whole will be very much needed in the future. The EESC is therefore convinced that cohesion policy should remain the EU's key investment policy for supporting European regional policy on adapting to climate goals. The 'do no significant harm' principle should ensure that investments are fully aligned with the Green Deal objectives.

4.5. The involvement of the social partners in territorial just transition plans in most Member States is very low, as stated by the EESC in its opinion SOC/718 on 'Energy policy and the labour market: consequences for employment in regions undergoing energy transitions' ⁽²⁾, which also states that Member States should encourage this involvement and that the plans should make their results and funding dependent on the creation of high-quality and stable jobs in specific local areas. The EESC endorses the principle of partnership in the programming and implementation of cohesion policy, while ensuring even greater promotion in the future of democratic accountability and ownership, which are essential for improving quality investments.

4.6. Cohesion policy needs to strengthen digital investments in current programmes aimed at bridging the digital divide, as the digital transition entails a risk of creating social and territorial gaps with effects on the labour market resulting from automation and artificial intelligence, unequal access to digital services and unequal digital skills of workers. Businesses, the public sector and people need to be equipped with a new generation of technologies.

4.7. More specifically, support for digitalisation in businesses and in the public sector should be improved by enhancing access to e-government and e-health, increasing people's digital skills and encouraging the development of broadband in remote and rural regions, so that no EU region is left behind.

⁽²⁾ Opinion of the European Economic and Social Committee on 'Energy policy and the labour market: consequences for employment in regions undergoing energy transitions' (own-initiative opinion) (OJ C 146, 27.4.2023, p. 4).

4.8. The EESC considers it crucial that cohesion policy ensure that the benefits of digitalisation are distributed in an effective and equitable manner, given that new emerging technologies demand more qualifications from workers and the ageing population and that this makes it difficult for them to participate in the labour market. Access to training and reskilling for newly-created jobs and tasks will be key to ensuring that regions can continue to develop in line with technological change and reap the benefits it brings.

4.9. The EESC considers it essential, in this context, to promote and strengthen innovation ecosystems, start-ups and the business environment, to develop research and innovation skills and to ensure the development and implementation of innovations across borders. Results in terms of regional innovation vary greatly; they are significantly lower in less developed regions than in more developed ones, hampering their convergence potential. The EESC would also like to emphasise that there are middle-income regions currently in development traps and unable to develop knowledge and skills to compete in the global economy.

4.10. Particular attention should be paid to the categories of people with lower employment rates (women, young people, immigrants, those with lower levels of education), for whom specific training, retraining and support programmes are needed on the ground. Efforts should also be made to innovate in relation to these categories of worker, given the new technologies and their characteristics.

4.11. In relation to the human and social aspect of cohesion policy, the EESC prioritises support for talented people. Talent in the regions should be nurtured, especially since the EU is experiencing a significant demographic transition. This is even more necessary in regions suffering from a shrinking labour force and a low proportion of people with a tertiary education, and in regions affected by the departure of young people. With this in mind, cohesion policy should support investments in social infrastructure.

4.12. The issue of ageing and shrinking populations will affect most regions, especially rural and less developed ones. By 2050, the working age population will shrink by around 35 million people. Regions affected by the reduction of their working age population will have to increase the labour market participation of underrepresented groups and boost productivity through investments and reforms in the labour market and education system.

4.13. The skills and qualifications of workers should be consistent with the needs of changing economies in order to improve innovation capacity. Reforms to education and training systems should be accompanied by investments at all levels and equal access to high-quality education and training, including upskilling, reskilling and lifelong learning for all. The EESC also believes that investing in children and young people will be crucial for long-term growth. Cohesion policy should be key to helping promote and implement capacity building measures at regional and sub-regional level.

4.14. In this context, it is essential to increase the potential of cross-border labour markets, which are vastly underdeveloped due to legal and administrative barriers. To this end, better cross-border cooperation at all levels of governance is crucial. Cohesion policy should ensure that all regions are equipped to cope with the shortage of skilled labour.

4.15. The EESC considers it essential to strengthen cross-border and interregional cooperation, especially for the development of climate-friendly railway infrastructure in border areas and the consistent maintenance of open borders between Member States. The importance of the single market should be ensured by all means, as it is the very heart of the European project.

5. Supporting a cohesion policy that addresses more specific needs

5.1. The EESC believes that, although cohesion policy offers possibilities for targeting investments through shared management, the partnership principle, programming and various territorial instruments, support for particular areas and for specific needs and groups needs to be specialised even further. Place-based approaches need to be strengthened in terms of funding to provide more tailored support, addressing the specific development needs of people and local areas, as well as the impacts of the twin green and digital transitions, demographic change and other disrupting factors.

5.2. The EESC also believes that the range of instruments and approaches should be expanded, modernised or revised, focusing more on capacity, interregional links and opportunities for citizens beyond simple investment. To this end, it is essential to:

- place greater emphasis on territorial policy strategies such as ITI (integrated territorial investment) and community-led local development. The EESC is in favour of making greater use of a locally-based, citizen-oriented approach in future; to do this, it is necessary to boost the capacity of local, urban and regional bodies to manage funds.
- ensure that the use of funds from the Recovery and Resilience Facility is fully compatible with the implementation of cohesion policy and that investments and programmes initiated with it are not put on hold given the possible change to the RRF in the coming years. There could be a very negative impact on the development of regions and territories and in particular on the needs of vulnerable groups.
- continue protecting SMEs and their sustainability. To this end, the existing standard European instruments, such as the European Social Fund, the European Regional Development Fund (ERDF) and the Cohesion Fund, should be deployed in an innovative but simple way so that SMEs can easily access finance and ensure favourable credit conditions in the long term.
- create new types of economic prospects for less developed, peripheral and sparsely populated rural areas, city centres, EU islands and outermost regions.
- encourage initiatives to carefully identify and address the specific needs of regions and territories in development traps and help them overcome their challenges.

5.3. The EESC considers it essential that cohesion policy address the urban-rural divide in the current context by strengthening the links between them and the role of smaller towns and cities. It is therefore necessary to review the role of large cities and their metropolitan regions, as well as medium-sized cities, as regional and national drivers of economic development. To this end, investment in regional and local human capital needs to be increased.

5.4. For the EESC, convergence will only be achieved by increasing the resilience not only of less developed and peripheral regions but also of all regions referred to in Article 174 TFEU, through future-proof diversification of their economies. This means further strengthening the inclusion of the concerns of the outermost regions and cross-border functional areas in all cohesion policy actions.

5.5. The EESC deems it necessary to adopt a cohesion policy 2.0 that includes key elements such as shared management, a regional approach, prefinancing and co-financing rates. Investment alone is not sufficient. Each region needs solid governance structures and an appropriate combination of policies that takes advantage of the synergies between all of the parties involved. We need a bottom-up approach. Investment should therefore often go hand-in-hand with tailored reforms and citizen-friendly policies.

5.6. The EESC considers it essential to involve the social partners, civil society and all actors at local level more closely in order to strengthen the effectiveness of the 'partnership' and 'multilevel governance' principles in cohesion policy. This can help address the pressure on democracy by increasing ownership of EU policies.

5.7. To this end, the EESC considers it essential to be able to streamline cohesion policy for beneficiaries through simplification and flexibility in the implementation of the funds, which should be used to achieve their objectives. There is a need to ensure clear and simple rules for national and EU funds implemented under shared and decentralised management, in a single regulation. To achieve these objectives, the administrative capacity of regional and local administrations and civil society partners needs to be boosted, in order to ensure that the Cohesion Funds are spent effectively and with added value.

5.8. The EESC believes that the best practices, effective policy measures and specific funding currently implemented by the RRF should also continue to function under the new cohesion policy. The financing of large companies should also be seen as an important factor for convergence.

Brussels, 20 September 2023.

*The President
of the European Economic and Social Committee*
Oliver RÖPKE
