



Opinion of the European Committee of the Regions – Exploring the role of the private sector in reinforcing cohesion policy post-2027

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POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS (CoR)

The role of the private sector in cohesion policy

1. notes the European Commission's proposal for the multiannual financial framework (MFF) and new own resources for 2028-2034;
2. stresses that cohesion policy is a long-term investment policy and one of the EU's key instruments for investing in competitiveness, knowledge and sustainable development and fostering social inclusion, based on regional and place-based policies, in order to make all regions competitive;
3. points out that in light of a fiscally constrained context post-2027, private sector investments need to be incentivised since the private sector brings innovations, resources and expertise that are needed to complement public investments. Private investments contribute to enhancing the effectiveness of public funding and leveraging public funds in order to achieve a multiplier effect and drive wealth for the entire territory. This includes optimising the participation of the private sector and private sector financing at all territorial levels;
4. calls for further action to empower local and regional authorities (LRAs) to facilitate the real and relevant involvement of the private sector, including capacity-building and technical assistance measures. Successful interaction of LRAs with diverse private sector stakeholders involved in cohesion policy is key to its current and future implementation, and essential for delivering necessary investments on the ground. Their capacity to engage effectively with the private sector is crucial to achieving stronger regional outcomes as well as to achieving the common EU objectives;
5. underlines the important role of small and medium-sized enterprises (SMEs) in cohesion policy. SMEs are not only beneficiaries but strategic partners and are often the engines of local economies. Cohesion policy funds constitute a significant component tailored to support SMEs, including through debt and equity products and business development services aimed at boosting innovation, competitiveness, and job creation. It is important to highlight that a place-based approach focusing on the specific needs and features of the SMEs in each territory is particularly relevant when supporting SMEs;
6. highlights that large corporations and multinational companies are also key players in cohesion policy when it comes to infrastructure, energy, transport, and digitalisation projects. They also play a key role as drivers and catalysts of the activity of SMEs; Their financial capacity and technical expertise can significantly amplify the impact of cohesion investments in major regional development initiatives, through projects that are likely to drive structural industrial and economic transformations. They also possess the capacity to take on necessary risks and undertake major investments;
7. stresses that financial institutions and private investors such as banks, investment funds, and other financial intermediaries play a crucial role in the delivery of financial instruments within cohesion policy (loans, guarantees, and equity investments). Financial institutions help leverage public funds to attract private capital, increasing the reach and effectiveness of cohesion programmes. The CoR has previously emphasised the key role of promotional banks in its opinion on Working together for jobs and growth: The role of National and Regional Promotional Banks (NPBs) in the Investment Plan for Europe;

8. recognises the role of business support organisations and industry associations such as chambers of commerce, enterprise agencies, and sector-specific associations acting as intermediaries between the private sector and managing authorities. These stakeholders play a key role in providing technical assistance, advocating for business-friendly policies, disseminating information about funding opportunities, and identifying and giving voice to business needs and challenges;

Progress made – but gaps remain

9. acknowledges that significant progress has been made over the past 20 years in developing institutional frameworks and administrative capacity to cooperate with private sector actors. Many LRAs have built up solid institutional capacity for private sector collaboration thanks to cohesion policy's requirements for partnership and stakeholder engagement and its use of financial instruments (FIs) that necessitate public-private cooperation;

10. recalls the successful participation of and support to SMEs in successive periods of implementation of cohesion policy, for example supporting around five million SMEs with EUR 118 bn of funding ⁽¹⁾ and contributing to the creation of 370 000 new direct jobs in 2014-2020 ⁽²⁾, while SME support and diversification represented around a third of the Just Transition Fund budget in 2021-2027 ⁽³⁾. It identifies the importance of scale-up policies and comprehensive regional strategies to trigger growth and competitiveness;

11. recognises the growing success of cohesion policy delivered through financial instruments, starting in the 2000-2006 period with one or two Member States and building to a situation where, at the time of the mid-term evaluation of the 2021-2027 programming period, 21 Member States had programmed around 6,5 % of the EU contributions under the European Fund for Regional Development, the Cohesion Fund and the Just Transition Fund via financial instruments, of which almost half were linked to SME growth and competitiveness, about a quarter to energy efficiency and around 8 % each to renewable energy and research & innovation. Significant financial instrument allocations were also earmarked for urban and territorial development, digitalisation, critical technologies and the circular economy ⁽⁴⁾;

12. points out that there is still unlocked potential in attracting private capital; capacity gaps remain a significant challenge and must be addressed in order to leverage the effect of cohesion policy;

13. stresses that many public authorities lack the technical knowledge or legal expertise to negotiate and structure public-private collaboration or to evaluate and manage FIs effectively. There are also limitations in strategic planning, project appraisal, and risk assessment, which are essential when working with private investors or implementing innovation-driven initiatives. Additionally, bureaucratic inefficiencies, weak procurement systems, and political instability hinder cooperation with private entities;

14. highlights that institutional culture and trust also remain a problem. In some contexts, there is a lack of experience or tradition in working with private actors, which can lead to scepticism or hesitation on both sides. Public authorities may be risk-averse, while private firms may doubt the transparency or reliability of public partners; to conclude, there is a need for both targeted capacity-building and a mindset shift – from risk aversion to strategic, accountable partnerships;

15. is concerned about the fact that many SMEs are still struggling with administrative complexity, overlapping controls and a lack of local adaptation. Without concrete measures that reduce administrative burdens at the beneficiary level, the intended structural reforms and EU objectives will not be achieved;

⁽¹⁾ 2023 Summary Report on the Implementation of the European Structural and Investment Funds.

⁽²⁾ Ex-post evaluation of the European Regional Development Fund (ERDF) and the Cohesion Fund for the programming period 2014-2020.

⁽³⁾ Mid-term evaluation of the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund 2021-2027.

⁽⁴⁾ Mid-term evaluation of the European Regional Development Fund, the Cohesion Fund and the Just Transition Fund 2021-2027.

16. points to the conclusions from the EP study on *Public private partnerships and cohesion policy* ^(?), which revealed that despite a more favourable legislative framework, the uptake of public private partnerships (PPPs) in cohesion policy remains low. Evidence on blending indicates that the use of PPPs is limited;

Optimising private stakeholder engagement in the MFF post-2027

17. reiterates that public-private cooperation and co-investment models in cohesion policy should be strategic, not symbolic. The public and private sectors need to work together, ensuring that every euro of EU funding is matched by know-how, investment, and accountability – whether from public or private actors – to deliver meaningful results for our regions. It is important to have a comprehensive and forward-looking approach when identifying key transformative projects;

18. stresses that a nationalisation of cohesion policy programming (according to the MFF proposal post-2027) risks weakening place-based approaches and reducing the visibility of local business ecosystems, and calls for structured embedded mechanisms for private sector participation in programme design and implementation. At the same time, it is important to strengthen the capacity in regional-level management to improve private sector participation;

19. strongly advocates reinforcing the partnership principle (PP) and embedding private sector engagement in cohesion policy programming, implementation and evaluation, through active involvement at all stages from analysing needs, establishing conditions and reforms, selecting priority areas and financial allocations;

20. notes that successive evaluations of cohesion policy and the place of financial instruments in delivering the policy have identified room for improvement and further encouragement of uptake of these instruments;

21. strongly advocates a clearly designed framework and an architecture that encompasses targeted measures and support mechanisms for LRAs and SMEs in the future legislative framework for cohesion policy, enabling capacity-building support for technical and administrative assistance, in order to unleash the potential and address the remaining challenges;

22. emphasises the need for the term ‘national funding’ in the future legislative framework to explicitly include private co-financing, helping to better align with State aid rules and prevent delays caused by individual notification procedures;

23. is concerned that the MFF-proposal post-2027 does not include or recognise smart specialisation (S3) which has shown the benefits of aligning public investments, local needs and local economic conditions. The successor Interregional Investment Instrument (I3) and Regional Innovation Valleys (RIVs), which are also omitted from the MFF proposal, have proven how collaboration between private and public actors can foster cross-regional partnerships, especially between more and less developed regions, integrating them in EU and global value chains. The experiences from these instruments should be included in the new MFF proposal to further incentivise the private sector engagement;

24. considers that it is of utmost importance to improve the possibilities for private stakeholder engagement and to implement concrete measures in order to avoid gold-plating by introducing a rapid review mechanism to identify and address disproportionate national requirements and improve alignment between EU and national rules, specifically State aid rules and the possibility of national co-financing for projects funded by cohesion policy funds. It is particularly important to capitalise on the momentum and tools offered by STEP to leverage public support for catalytic projects;

25. recommends applying the ‘only once’ principle (i.e. submitting documents only once to the regional managing authority) and introducing simplified cost options (SCOs) and Financing Not Linked to Costs (FNLC);

^(?) Research for REGI Committee – Public Private Partnerships and Cohesion Policy.

26. suggests enforcing proportional audit procedures by creating a 'de minimis-like' threshold for small projects (<100 000 EUR) allowing light-touch auditing if the outcome is clearly demonstrated, and ensuring that a performance-based approach must take into consideration measures appropriate to SMEs. Moreover, replicating and adopting the European Commissions lump-sum funding model could lead to a simplification and streamlining of procedures;
27. calls for increased support for the development of technical expertise for LRAs and SMEs, especially at the local level, aiming at developing a system characterised by openness and predictability, which will ensure a long-term and sustainable perspective;
28. stresses that the use of FIs should be aligned with the nature of the investment to promote economic efficiency, and thus advises against the use of direct grant support for productive investments; recommends that the future regulatory framework include a provision whereby revenue-generating and cost-saving investments should be primarily delivered through FIs;
29. warns of an increased gap between regions that are innovation leaders and less developed regions that do not have the same experience or institutional capacity to benefit from new funds and tools proposed in the MFF proposal; insists, therefore, that the MFF proposal must include sufficient advisory and technical support for less-experienced regions in order to ensure a fair distribution of funds to achieve the EU objectives in terms of cohesion and competitiveness;
30. underlines that the future legislative framework should enable Member States to include FIs in their plans; reiterates that FIs are smart and efficient ways to increase the impact of EU funds, and will enhance the leverage and multiplier effect of EU funds if tailored to local needs; emphasises that private sector engagement is not optional – it is essential for the long-term resilience and impact of cohesion investments;
31. believes that national and regional financial institutions should be empowered so that FIs are entrusted to national and regional guarantee institutions and public promotional banks, given their proximity to SMEs and their deep understanding of local markets;
32. emphasises in particular the need for tailored FIs such as microfinance schemes, simplified lending procedures and targeted guarantees, particularly in less developed regions and low-density economies (LDEs) where financial ecosystems are weaker and outreach is limited.

Brussels, 4 March 2026.

The President
of the European Committee of the Regions
Kata TÜTTŐ