Cohesion policy post-2027

Joint vision of Dutch central, regional and local government

Agreement by the Association of Netherlands Municipalities (VNG), the Association of Provincial Authorities (IPO) and the Dutch central government.

Disclaimer

This vision paper reflects the Netherlands' views on Cohesion Policy[1] post-2027. It was written in light of the report of the High-Level Group on the Future of Cohesion Policy[2] and the ninth Cohesion Report,[3] but does not purport to be a direct response to either of these. This vision paper is explicitly not intended as a preliminary indication of the Netherlands' overall position (which is yet to be determined) for the negotiations on the next multiannual financial framework (MFF) from 2028. The paper takes no position on the continuation of specific funds, the size of EU or Dutch budgets, or governance issues concerning the deployment of future resources in the Netherlands. In the event of conflict between this document and the overarching MFF position, the latter will prevail.

[1] This policy is delivered through the European Structural and Investment Funds (ESI Funds): the European Regional Development Fund (including Interreg), the Cohesion Fund, the European Social Fund and the Just Transition Fund.
[2] Forging a Sustainable Future Together - Publications Office of the EU (europa.eu).
[3] Inforegio - Ninth Report on Economic, Social and Territorial Cohesion (europa.eu).

Summary

Future Cohesion Policy should continue to focus on:

- **Convergence**: fostering economic, social and territorial convergence by revitalising regions that are lagging behind in socioeconomic terms. While Cohesion Policy should continue to focus as much as possible on these regions, it should potentially be open to all regions in the EU.
- **Competitiveness**: improving the EU's competitiveness through innovative ecosystems, sustainability and a sufficiently large, highly skilled workforce.

In practical terms, this means that Cohesion Policy should continue to focus on:

- **Innovative and sustainable focus on the three transitions**: this concerns the digital, social (labour market) and green transitions, with research and innovation (and the rollout of innovation) as the cross-cutting theme. Prerequisites for the transitions are fairness, a sufficient supply of raw materials and the right critical technologies.

Any investment of this kind should take the following aspects into account:

- **Partnership principle**: a sound partnership between national, regional and municipal authorities and partners under shared management arrangements with the European Commission. Regional implementation should remain a possibility.
- **Place-based approach**: regions should be challenged more to increase their productivity and resolve social problems. They could do this by identifying their strengths and leveraging them through innovation, multilevel cooperation and regional specialisation. Broader regional transition plans could also be useful.
- **Investment in people**: to achieve the transitions in a way that will benefit all regions and their inhabitants, it is vital to invest in human capital and social inclusion. Ensuring a sufficient and skilled workforce is essential.
- In the next programme period, it will remain important to encourage collaboration between European regions as part of Cohesion Policy, so **cross-border, transnational and interregional cooperation** should remain on the agenda. There should be more incentive to make interregional innovation investments.
- In this context, scope and appropriateness are being explored for **submitting statements of expenditure based in part on outcomes and results** (in relation to milestones and goals) and links with the **European Semester**.
- Based on experience with the Recovery and Resilience Facility (RRF), it is worth looking at what lessons could be learned for future Cohesion Policy.
- Having horizontal conditions, such as the respect of the **rule of law,** are essential for implementing future Cohesion Policy.
- **Simpler regulation and better implementation** in accordance with the principle of sound financial management will remain important criteria for Cohesion Policy investments.

Introduction

Cohesion Policy was introduced to increase convergence between European regions by reducing socioeconomic imbalances. Under the Treaty on the Functioning of the European Union (TFEU), the EU must take measures to strengthen its economic, social and territorial cohesion to promote harmonious development.[4] Cohesion Policy is also considered a fundamental element of the single market, which was designed with an awareness of its potential differential effects on workers, companies and regions. Moreover, Cohesion Policy is often cited as one of the most obvious manifestations of European cooperation and solidarity.

At the same time, it is more important than ever to have an innovative, green, resilient and globally competitive European economy, to which all regions and their inhabitants contribute and from which they can derive benefit. Achieving this particularly requires innovative and sustainable focus on today's major transitions, especially those with the greatest long-term impact, i.e. the digital, green and social transitions (including the labour market). Besides on sustainable investment, these transitions are conditional on critical technologies and raw materials, and policies that are just and place-based (taking into account specific characteristics and strengths of the regions concerned).

Since financial resources are inherently limited, the Netherlands believes it is important to ensure that Cohesion Policy remains focused, delivers maximum added value for the member states and regions, and thus contributes as much as possible to the EU's policy objectives. The Netherlands believes this should be done by following two lines of action, corresponding to the two main goals of Cohesion Policy: 1) revitalising lagging regions, e.g. by improving the quality of life, and 2) improving European competitiveness by means of/thanks to innovative ecosystems, sustainability and a skilled workforce (also referred to as convergence and competitiveness).

[4] Consolidated version of the Treaty on the Functioning of the European Union, LexUriServ.do (europa.eu).

1. Place-based policy focused on transitions

Competitiveness and convergence by focusing on transitions
Cohesion Policy should enable regions to invest in projects that contribute to long-term growth in and competitiveness of the EU. All EU member states, and their subnational authorities, are facing major challenges or transitions, most notably the ongoing digitalisation of society, rapidly changing sociodemographic trends and the green transition. It is important for the goals of both convergence and greater competitiveness that these transitions are successful. Ultimately they must also be addressed by cities and regions, and this is where Cohesion Policy can play a role. Three key preconditions must be in place for the transitions to be successful: sufficient focus on the EU's innovative capacity and on a just transition, and measures to address structural economic reforms.

> *A more digital Europe*
> Digital technology and infrastructure play a vital role in daily life, not just in all EU citizens' private lives but also for businesses (large and small) and public authorities. Specifically in Cohesion Policy, digitalisation demands attention. Digital technologies are used for many kinds of daily activities, from communication, work and research to tackling environmental issues. The COVID-19 pandemic revealed not only how dependent we are on technology, but also how important it is that Europe does not have to rely on systems and solutions from elsewhere in the world. It is also essential to address vulnerabilities in our digital supply chains and to pay attention to cybersecurity. Additionally, EU member states and their subnational authorities face major implementation challenges with the development of the Digital Decade policy programme. As mentioned in the ninth Cohesion Report, there is a risk of a digital skills gap. This requires a constant focus on digital literacy, digitalisation of business processes and the further development of digital technologies.
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> *A more social Europe*
> Bearing in mind the current demographic challenges and the specific characteristics of European countries, their regions and inhabitants, one key task is to ensure a balanced labour market by using untapped labour potential to alleviate skills shortages. Changing demographics may also affect the quality and accessibility of public services such as education and healthcare. Cohesion Policy could help member states achieve high levels of employment and fair social protection, and develop a skilled, resilient workforce prepared for the transition to a green, digital economy. The Netherlands believes that investing in human capital is key to making these transitions and getting all parties on board. We take the view that Cohesion Policy should devote the right amount of attention to a balanced labour market and social inclusion, so as to ensure that everyone can participate and to foster social cohesion in the regions.
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> *A greener Europe*
> A greener Europe will enable the EU to lead the way in the green transition. The ambition to green our continent will also have implications for the other two transitions. Future Cohesion Policy will need to address the implementation of the Fit for 55 framework and achievement of the climate and energy goals, including carbon emissions reduction, circularity, making industry more sustainable, environmental measures, nature conservation and climate-related issues in rural areas, and policy on water management in the EU.

Guiding principles for driving these transitions
No one in the EU should be left behind in these transitions. Research and innovation (including the rollout of innovation) are key cross-cutting themes and drivers of the transitions, not only fuelling future economic growth, but also delivering potential solutions to societal problems.

Without the right technologies and raw materials, innovative ideas will never take off. It is becoming increasingly apparent how dependent the EU has become on third countries for scarce raw materials and critical technologies. Developing strategic industries and reducing dependency on other continents (e.g. for the critical raw materials and earth metals needed for the energy transition) are economic opportunities for the EU. We could look at how our national technology strategy and innovation strategies are relevant to European regional policy.

In the case of less-developed EU regions, investment designed to strengthen their economic structure could be of continuing importance in enabling them to contribute to the transitions. Examples include investment in improving the quality of local government, enhancing physical infrastructure (digital, energy, and transport and mobility) and focussing on research and innovation, the environment and broader economic development.

All three transitions should be just transitions. It is essential for the Netherlands that everyone can participate. To this end, it may be helpful to identify regions where the climate and energy transitions pose additional challenges. In terms of content, we could look at existing Dutch regional climate and energy strategies (or equivalents in other EU member states) and a particular region's challenges in terms of the labour market, social issues, nature, water and climate. In a just transition the costs are shared fairly between individuals, businesses, public authorities, civil society organisations and institutions, with a particular focus on lower-income households, SMEs, energy-intensive industries and regions.

Place-based policy
As far as the Netherlands is concerned, while Cohesion Policy should continue to focus as much as possible on the regions that are lagging most, it should potentially be open to all regions in the EU. In the future, however, more attention could be paid to the specific needs of regions and cities: a more place-based policy for urban, intermediate and rural areas, respectively, as advocated in the report of the High-Level Group on the Future of Cohesion Policy. This is in line with the Netherlands' national advisory report by three Dutch advisory councils, 'Every Region Counts'.[5]

As mentioned in the ninth Cohesion Report, not all regions have benefited proportionally from the EU's economic growth. Some have experienced strong growth with attendant higher employment rates, while others have not reaped the rewards. This has led to growing disparities among inhabitants of lagging regions. To address this problem, future Cohesion Policy should challenge regions more to increase their productivity and resolve their social problems. They could do this by identifying their strengths and leveraging them. Innovation, multilevel cooperation and regional specialisation are essential conditions, as well as availability of human capital and policy on social inclusion.

The Netherlands believes broader regional and transition plans should be developed in the future, identifying the region-specific opportunities and challenges presented by the three transitions. Regarding regional labour market policies, the regional multiannual agendas being drafted as part of labour market infrastructure reform could be used in the Netherlands, or the equivalent in other EU member states.[6] In the case of innovation, the research and innovation strategy for smart specialisation (RIS3) could be used, for example. Lastly, regional energy strategies could also be included in a more comprehensive plan. This would allow us to take a broader look at a region's genuine economic opportunities, using existing plans and a mix of region-specific indicators, such as labour/occupational potential, unemployment figures, sector size, investments in innovation), patents issued and ecosystems in the region, or using the EU regional competitiveness index.

Interregional cooperation for innovation
Interregional cooperation is essential for strengthening the innovative capacity and competitiveness of EU regions. In order to be globally competitive, it is important that SMEs – like larger companies – also join forces within Europe and 'borrow' skills to be found in other strong regional or local clusters.

RIS3 can be used to identify common strengths and/or complementarities with other regions, including areas that are more geographically distant. Consideration should also be given to ways of linking up weaker regions and economically strong ones. Joint investment to initiate innovative ecosystems should be encouraged. This is how we achieve learning-by-doing effects, and enable each region to make better use of its own strengths. Besides direct effects, joint investment in sustainable growth has learning effects that benefit the EU as a whole.

Setting up networks and joint projects aimed at developing good practices should be facilitated, along with the process of sharing and passing on successful regions' experiences. Moreover, it is important that Cohesion Policy drive cooperation between similar regions that face common challenges. For all these reasons, the Netherlands sees great added value in Interregional Innovation Investments (I3)

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[5] Advisory report, in Dutch only, entitled 'Elke regio telt!' ('Every Region Counts!').
[6] Parliamentary Papers, House of Representatives, 2023-2024, 33 566, no. 109.

and would like to step up this kind of interregional innovation cooperation as part of Cohesion Policy in the future. Further development of European innovation chains is becoming more and more important as a way of increasing the EU’s strategic autonomy. I3 should therefore provide scope for promoting efforts to develop and consolidate these chains, though it is important that the chain itself is the starting point. This should identify what is needed for further development and which partners in which regions are a suitable fit. This concept should be taken further in Cohesion Policy post 2027. Cohesion policy should specifically support this type of interregional cooperation for innovation, as these instruments serve to build cohesion, with socioeconomically weaker regions teaming up with stronger ones.

2. Improved coherence between and consistency with Cohesion Policy and other EU policies and instruments, including flexibility

During the current MFF, several new instruments have been created, such as the Just Transition Fund and REACT-EU. The Netherlands believes that it could be counterproductive for Cohesion Policy to encompass many different funds, as overlap or competition between them soon ensues. In our view, careful consideration needs to be given to how Cohesion Policy complements other programmes, with steps taken to ensure no overlap in goals. Moreover, unnecessarily creating new or additional funds related to Cohesion Policy reduces transparency and auditability. For this reason, the European Court of Auditors has recommended that the future financial landscape be simplified, more transparent and easier to audit.[7]

More synergy and streamlining
The Netherlands therefore calls on the European Commission to scrutinise and streamline the current set of instruments. Synergy should be promoted, and the creation of new funds avoided – especially under Cohesion policy. Possible overlap with elements in the Digital Europe programme, such as the innovation hubs, merits special attention. Scope for synergies could also be explored, notably with the European Agricultural Fund for Rural Development (EAFRD), the Social Climate Fund, the next Framework Programme and Erasmus+ (in the area of skills). Widening and overlap with instruments under direct management by the Commission, such as those under Pillar 2 of the current Horizon Europe programme, should be avoided. In this case, an instrument like I3 could provide a solution. Alignment with the various member states' national innovation policies and national strategies is also essential.

Finally, for lagging regions, earmarking funds within directly managed programmes should be considered. This is already being done with the Cohesion Fund and the Connecting Europe Facility (CEF).

European territorial cooperation
The three major transitions present common challenges to many European regions. Sustainable energy transition and responsible water management, for example, are pre-eminently cross-border issues. More than 40% of the EU's land area are border regions, and those regions account for over 30% of the EU's gross national income (GNI) and at least 30% of its population. Only by cooperating across borders can regions meet the challenges of these transitions and maximise their own socioeconomic potential. In the next programme period, it will therefore be important to encourage cooperation between European regions specifically as part of Cohesion Policy. This requires ongoing commitment to cross-border, transnational and interregional cooperation. Partnerships between national authorities and parties in the cross-border regions are the starting point for cross-border programmes. Similarly, the different tiers of government should also be involved in developing transnational and interregional cooperation. All this should help improve quality of life in these areas and foster solidarity between member states, as mentioned in the 2021 report of the European Court of Auditors.[8]

Cohesion policy and crises
In recent years we have seen that Cohesion Policy comes to the fore in times of crisis. And while the Netherlands believes that this policy should primarily focus on long-term investments in regional socioeconomic conditions and upward socioeconomic convergence, we also acknowledge that Cohesion Policy has proven to be flexible in responding to crises and unforeseen circumstances. We therefore advocate a structural solution for those types of situations. This will require changes to be made in partnership. Using existing cohesion infrastructure to programme additional resources has already proven effective in the case of REACT-EU. The Netherlands also supports continuing to use a flexibility reserve within the EU budget or introducing some other mechanism that would provide the necessary flexibility in resource programming. This flexibility should preferably be enshrined in the relevant legislation from the outset. One important proviso for the Netherlands is that flexibility should be used on a voluntary basis and in partnership with subnational authorities in the member states.

[7] European Court of Auditors: Auditors call for further simplification of the complex EU financial landscape.
[8] Interreg cooperation: The potential of the European Union's cross-border regions has not yet been fully unlocked.

3. Governance

Cohesion policy post 2027 should seek to link the EU funds with the European Semester. In the case of Cohesion Policy funds, it is important for all tiers of government to be properly involved in setting them up, based on the partnership principle. This will ensure that there is an effective link between the European Semester and the aforementioned funds and that all echelons of government can fulfil a management role in the area for which they are responsible. In view of the need to simplify the implementation of non-cross-border funds, the Netherlands wants to look at options and appropriateness of submitting claims based in part on outcomes and results, and not just actual costs incurred.

It would be worth looking at what lessons can be learned from the Recovery and Resilience Facility (RRF) for the future Cohesion Policy. Nevertheless, the Netherlands notes that it is still too early to determine to what extent the system used for RRF is actually suitable and more effective than the current system used for Cohesion Policy funds. If such a system is also adopted under Cohesion Policy, it is important that there be no double checks, no double accountability and no double auditing, that the burden on applicants and implementing authorities is kept to a minimum, and that regional implementation remains possible. To minimise the administrative burden and avoid duplication of checks, synergies between the requisite audits could be explored. Another key point is to carefully consider the types of targets set and leave scope for flexibility – if necessary – in meeting them. In the case of innovative projects by smaller businesses in particular, the outcomes may be uncertain and it may not always be feasible to specify objectives in advance.

The Netherlands also thinks it is important that member states meet a number of horizontal conditions before they can spend Cohesion Policy funds. The rule of law is of course a crucial criterion here, but factors such as macroeconomic stability and anti-fraud safeguards should also continue to play a role.

Financial instruments
Financial instruments can make Cohesion Policy more effective. The Netherlands believes that a greater understanding of existing instruments could facilitate effective EU-wide deployment. It is also worth exploring whether InvestEU could take on a more significant role for countries with a lower credit rating or in supporting lagging regions. In future, it might be possible to see if and how beneficiaries could use a guarantee from the EU budget earmarked for regional development to leverage large investments more often, especially in the case of investments in projects that are nearing the stage of commercial viability. The administrative burden should be taken into account, however; complexity should be kept to a minimum and lead times should not be unnecessarily long.

4. Simpler regulation for better implementation

Simplification

The Netherlands considers it important for Cohesion Policy to be implemented in accordance with the principle of sound financial management. Options for further simplification should continue to be carefully examined to make it as easy as possible for beneficiaries to make use of Cohesion Policy funds.

For the current programme period, many measures have been taken to simplify cost items, for example standard hourly rates for staff costs, without the need to provide specific timetables or private salary data. This makes it much easier, particularly for smaller companies, to deploy the funds. The Netherlands is pleased to note that the positive experiences with simplified cost options have been grounded in a solid legal framework. This framework facilitates further use of these options and also encourages the European Commission to look at additional options for Cohesion Policy post 2027.

Simplification goes beyond simplifying cost items, however. Other sources of administrative burden should also be examined, such as all the data that must be supplied when applying for Cohesion Policy funds. In the past, reporting requirements and the role of the certifying authority were simplified, but new obligations have been introduced in the current programme period, e.g. the need to provide copious information about national climate plans. While the Netherlands welcomes the requirement to provide information about ultimate beneficial owners (UBOs) and the 'do no significant harm' principle,[9] it is extremely impractical for managing authorities to produce relevant information within 24 hours.

Uniform rules are also important, but the problem goes further than that. The correct use of instruments, such as ARACHNE, is another factor. The Netherlands takes the view that further improvements should be made to ARACHNE, so that the managing authorities and the European Commission can prevent fraud more effectively. Currently, ARACHNE is not up to standard in terms of user-friendliness and efficiency because programmes are incomplete and take up too much time.

Better implementation

The Netherlands experienced teething problems while approving Cohesion Policy programmes, despite improvements made during the current programme period, and believes more could be done to simplify procedures. The process was delayed mainly because data on external conditions had to be provided and because of repeated requests for additional information, sometimes for the same information by different bodies. We have therefore asked the European Commission to provide a clear overview of the required information at the start of the process, with as little deviation from this as possible during the process.

A more realistic disbursement of payments could also be considered. In line with Article 91 of the Common Provisions Regulation (CPR), the Commission sets one-seventh of the total programme budget as an annual target. In practice, however, the submission of statements of expenditure under the programmes peaks at the end of the programme period rather than being evenly distributed over the years. To ensure that member states' EU contributions are more predictable, and in the interest of sound financial management, the Netherlands invites the Commission to reconsider the distribution of annual instalments in Article 91 to bring it more in line with reality.

Furthermore, an incremental increase in the pre-financing rate could be considered. The programmes currently receive 0.5% of the available programme budget as prefinancing each year, which means there is little in the way of pre-financing support for SMEs. This may sometimes result in liquidity problems for them. A slightly higher rate could benefit SMEs.

Finally, the Netherlands calls on the Commission to carefully examine state aid rules, specifically the definition of undertakings in difficulty (GBER, Article 2).[10] We believe that the current definition is

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[9] The European Commission's 'do no significant harm' principle aims to ensure that the activities of member states, or investors setting up new projects in the European market, do not significantly harm the environment. This applies to the projects' entire life cycle.

[10] Article 2 of Commission Regulation (EU) No 651/2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty Text with EEA relevance.

not fit for purpose and have found that it creates problems with support for SMEs. Startups and scaleups are a key target group for the cohesion funds, as they in particular develop the innovations needed for the transitions. Yet these small businesses often have little or no own capital, which prevents them receiving any funds since this is a legal stipulation.