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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	Long-term impacts of cohesion policy on EU regions = Exchange of views

At the meeting of the General Affairs Council dedicated to cohesion policy of next 22 November, on the basis of the Presidency paper set out in annex to this note, Ministers in charge of cohesion policy are invited to discuss the key goals and principles for Cohesion Policy for the future; the challenges the policy will face in the future and the way to best address them; as well as the value added of Cohesion Policy compared to other EU policies and instruments, and also national frameworks, with a view on its possible adaptability to these.

Background paper
for the General Affairs Council dedicated to cohesion policy

Cohesion policy (CP) is a key lever to promote long-term convergence within the European Union (EU). As highlighted in the 8th Cohesion Report, CP has effectively contributed to closing the economic gap between less and more developed regions and member states (MS), which is in line with the EU's mandate, enshrined in the Treaty on the Functioning of the EU, to reduce disparities between the levels of development of the various regions and the backwardness of the least favoured regions.

Programming period 2007–2013¹²³⁴

In the programming period 2007–2013, EUR 346.5 billion were invested with the contribution to reducing disparities between regions, promoting balanced and sustainable development and increasing economic, social and territorial cohesion. These investments made a real difference during the financial and economic crisis, when public funding was limited, including for small and medium enterprises (SME) and when private financing was difficult to find and create jobs. They addressed regional disparities and increased gross domestic product (GDP).

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- ¹ Presentation – [Cohesion policy delivering benefits for citizens](#) – Main results 2007-2013 (21/12/2016); European Commission (Directorate-General for Regional and Urban Policy).
 - ² [9 ways Cohesion Policy works for Europe – main results 2007-2013](#) (07/10/2016); European Commission (DG Regio).
 - ³ [WP1: Synthesis report, Ex post evaluation of Cohesion Policy programmes 2007-2013, focusing on the European Regional Development Fund \(ERDF\) and the Cohesion Fund \(CF\)](#); European Commission, Directorate-General for Regional and Urban Policy, Directorate B – Policy, Unit B.2 Evaluation and European Semester; 2016.
 - ⁴ [Where does the EU cohesion policy produce its impact? Simulations with a regional dynamic general equilibrium model](#); Philippe Monfort, Simone Salotti; Directorate-General for Regional and Urban Policy of the European Commission. European Commission Joint Research Centre; WP 2/2021.

The results were delivered in all MS and regions. EUR 1 of CP investment in 2007–2013 is expected to generate 2.74 additional GDP by 2023. The estimated return on the investment of the total allocation in 2007–2013 is EUR 1 trillion in additional GDP by 2023, and in the long-run, it will generate a positive return, which, for the EU as a whole, is estimated at around 4 % per year. One million jobs have been created, which corresponds to 1/3 of net job creation during this period. CP investments in 2007–2013 were a vital source of public finance for many MS, representing up to 57 % of government capital investment in some. In particular, thanks to CP, continuity of public investment could be maintained, especially during the years of economic crisis, highlighting the long-term stabilising effect on investment of multiannual programming under CP.

In October 2021, the European Commission (COM) issued a working paper, which examined the macroeconomic effects of the 2007–2013 CP programmes. The impact of CP is higher in the main benefiting MS; however, in the long run it is also positive in more developed MS and regions despite the fact that they are net contributors to the policy. Ultimately, around 15 % of the impact on EU GDP stems from international spillovers, which suggests that CP is a positive sum game and generates positive linkages between the economies of MS. Spillovers are particularly important for the main contributors to CP and account for a substantial share of the total impact of the policy.

In the long run, more than 45 % of the positive impact in countries not eligible for the cohesion fund come from investments made in MS benefiting from the fund. For some MS, spillovers constitute the main source of benefits from CP. These findings provide robust evidence that CP is providing benefits across the EU in line with its Treaty objectives.

The main results of the European Regional Development Fund (ERDF) and Cohesion Fund are as follows⁵⁶:

⁵ [Commission Staff Working document: Ex post evaluation of the ERDF and Cohesion Fund 2007-13](#); Brussels, 19.9.2016 SWD(2016) 318 final.

⁶ [The RHOMOLO impact assessment of the 2014–2020 cohesion policy in the EU regions](#); Francesca Crucitti, Nicholas-Joseph Lazarou, Philippe Monfort, Simone Salotti; Directorate-General for Regional and Urban Policy of the European Commission. European Commission Joint Research Centre; WP 4/2022, 1st edition.

- around 940 000 jobs directly created, 41 600 of which are in research and development;
- 400 000 SMEs directly supported and 322 000 jobs created in SMEs;
- increase in the capacity to generate renewable energy of 3 900 megawatts;
- environment: 5.9 million more people connected to a supply of clean drinking water and 6.9 million more people connected to new or upgraded wastewater treatment facilities;
- infrastructure (km of newly built or modernised roads/railways, internet connectivity, etc.):
 - o 8 400 000 additional people covered by broadband connections;
 - o 4 900 km of additional roads constructed (mostly motorways), nearly half on the Europe-wide TEN-T network;
 - o upgrade of almost 28 600 km of roads, two thirds of which are in the EU12 MS
 - o upgrade of 3 900 km of railways, almost 1 600 km of which are in the EU12 MS.

The main key quantitative achievements of the European Social Fund (ESF)⁷:

- 98.7 million participants in ESF-funded training and other supported operations, evenly spread between the inactive (36 %), the employed (33 %) and the unemployed (30 %);
- Over 30 million favourable impacts, helping people make positive change:
 - o 9.4 million participants gained employment, at least 300 000 of whom are self-employed;
 - o 8.7 million gained a qualification / certificate;
 - o Other 13.7 million improved skills, competences, increased chances in the labour market, continued education, etc.

⁷ [Commission Staff Working Document Ex-post evaluation of the 2007-2013 ESF Programmes](#); Brussels, 12.12.2016 SWD(2016) 452 final; page 4.

Programming period 2014–2020⁸

Resources allocated for CP in 2014–2020 were around EUR 355 billion, which implies an injection of resources of about 0.3 % of EU GDP. In July 2022, the COM issued a working paper, which assessed the macroeconomic impact of the 2014–2020 CP programmes. The simulation based on the RHOMOLO model suggested that the 2014–2020 CP interventions had an overall positive impact on the EU economy, which increased over time during the financing period, reaching a peak in 2021 when the EU GDP was almost 0.4 % higher than in the absence of the policy.

At the regional level, the highest impact is on the main benefiting MS. In more developed MS and regions, the impact of the policy is generally smaller in the short run. Indeed, for many of these regions, policy support is low relative to the size of their economies. However, in the long run, the impact of the policy increases, because once the programmes are over, they no longer generate costs but still produce significant benefits. Eventually, the GDP impact becomes positive in all regions. The result that all EU regions end up benefiting from the policy is partly due to the strong spatial spillovers it generates, through which the programmes implemented in a given region also benefit other regions, notably the ones having strong trade links with the main beneficiaries.

The analysis shows that the policy has significantly contributed to decreasing or limiting the increase in regional disparities, both at EU level and within the MS.

⁸ [The RHOMOLO impact assessment of the 2014–2020 cohesion policy in the EU regions](#); Francesca Crucitti, Nicholas-Joseph Lazarou, Philippe Monfort, Simone Salotti; Directorate-General for Regional and Urban Policy of the European Commission. European Commission Joint Research Centre; WP 4/2022, 1st edition.

Macro-economic modelling by the Joint Research Centre (RHOMOLO model) on the ESF also has positive impacts on the economy as a whole, on top of the direct results for participants in ESF operations⁹. Investment in employment and mobility up to 2018 would translate into the creation of 47 000 jobs in the long term and an increase in GDP of 0.06 % compared to the baseline (2014). This would be due to final macroeconomic impacts generated by human capital investments and the improvement on labour productivity, as well as the structural changes involved. The ESF support to social inclusion is expected to increase EU GDP by 0.037 % (which amounts to EUR 4 billion) by 2023 and create an additional 127 000 jobs, whereas education and training operations are expected to add 0.16 % to GDP (€18 billions) by 2023 compared to the baseline and create around 170 000 additional jobs. All increases are expected to be long-term (until 2033), as GDP and employment are expected to still be higher relative to the baseline.

In the long run, the policy investments produce significant positive returns, with the 25-year GDP multiplier standing at 2.7 or equivalent to a yearly rate of return of about 4 %.

The main results for CP:

- 5.4 million people found a job thanks to ESF and Young Employment Initiative (YEI) support;
- 236 500 new jobs were created with ERDF support;
- 3.6 million enterprises will benefit from projects selected for ESI Funds support, out of which 3 million were already supported;
- the energy efficiency of more than 359 000 households was improved;
- 45.5 million participants benefited from the ESF- and YEI-supported projects;
- 1 544 kilometres of railways were laid or upgraded between 2014 and the end of 2020;

This confirms that CP delivers on the ground.

⁹ [Commission Staff Working document: Evaluation of the 2014-2018 ESF support to employment and labour mobility, social inclusion and education and training](#); p. 35, {SWD(2021) 11 final} Evaluation of ESF support to social inclusion. Please note that the data is based on 2014-2018 data therefore the ex post evaluation of the ESF 2014-2020 will provide more up to date data when it is finalised. NB: these calculations were made in 2019, so prior to the present crises).

Not only has the policy contributed to promoting economic, social and territorial cohesion in the EU but it also demonstrated its adaptability, notably by redirecting EUR 23 billion within existing programmes to counteract the challenges posed by the pandemic, and added EUR 50 billion of fresh money through REACT-EU in order to help the recovery process of EU regions building grounds for their increased resilience.

Over the past decades, CP also evolved in terms of shaping governance arrangements for programmes: the multiannual programming, the regular evaluation exercises, the strengthened intervention logic coupled with result-oriented improvements, along with better *modus operandi* for partnership and multi-level governance, brought about effectiveness in programme and project implementation. Similarly, the framework for CP was enriched with requirements for creating appropriate strategic basis and framework conditions for the interventions together with enhanced links between CP and the European Semester framework.

Possible outlook

As for future trends, it is clear that the EU faces a number of challenges stemming from demographic and technological changes as well as from the digital and green transitions that will come to the fore. These will likely lead to new disparities, which in turn could undermine the sustainability and the robustness of the EU's development model. The policy alone cannot ensure that no territory and no person are left behind, but can certainly strongly contribute to economic, social and territorial cohesion including through ensuring spatial and territorial considerations for national and sectorial policies. The design and implementation of CP should be able to rest on a robust and effective policy mix of national and EU policies and instruments.

Questions for the ministerial discussion:

1. **What are the key goals and principles of the policy, on which no compromise should be made for the future?**
 2. **What is the value added of cohesion policy compared to other EU policies and instruments, and national frameworks? Should the policy be adjusted vis-à-vis other policies and instruments in order to further strengthen the delivery of its key objectives?**
 3. **What expected challenges will cohesion policy face in the future, and how can it be adapted to address them?**
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