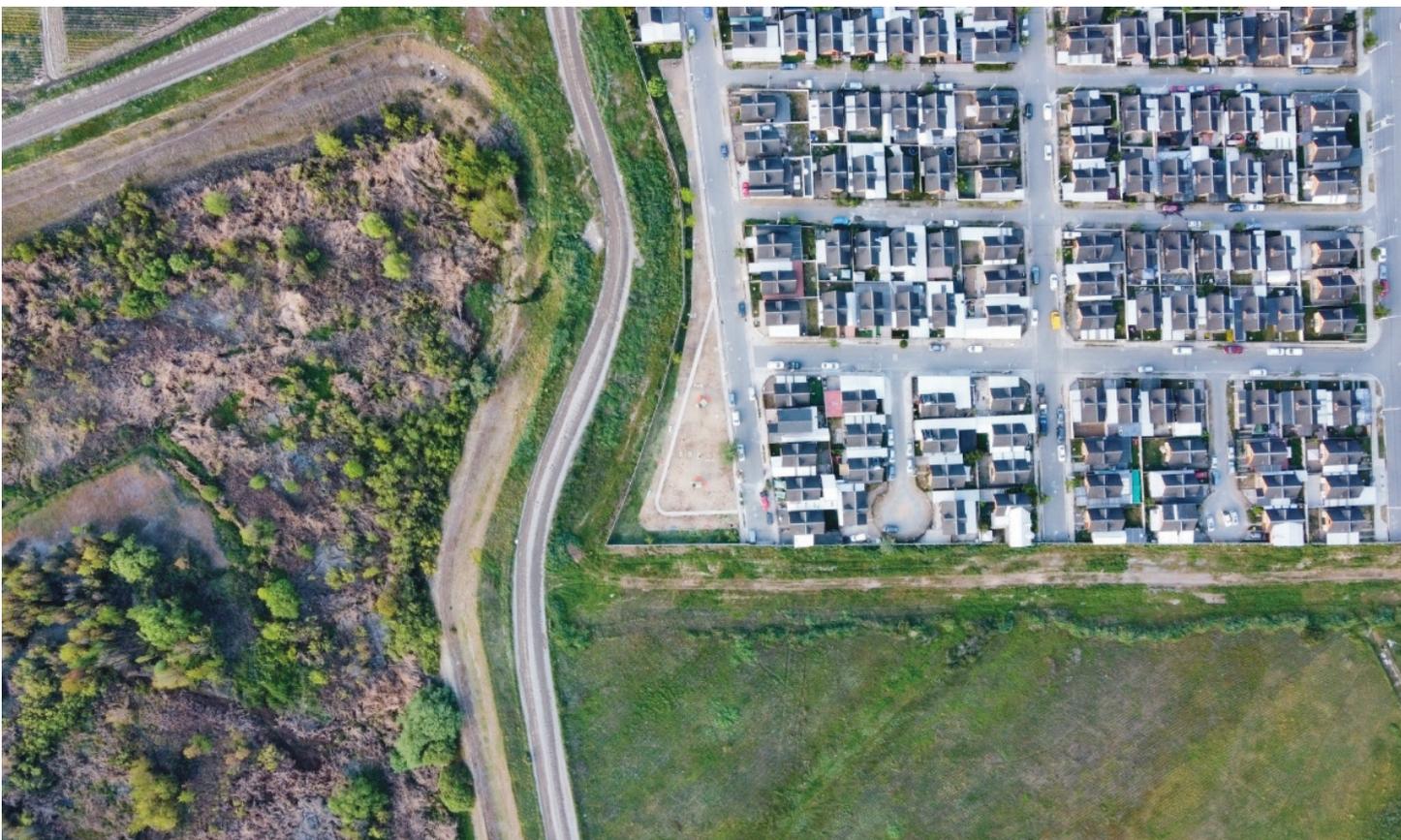


Cohesion policy's mid-term review: Stress-testing regional development in a new EU era

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Credit: CANVA

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Executive summary

The European Commission's Communication on the mid-term review of cohesion policy (MTR) signals the need for accelerated reform. It comes as the EU musters its response to complex transitions, including a first-of-its-kind security and defence agenda.

There is much to commend in the MTR. Its core themes are strongly linked to regions' transition efforts, including the EU's comprehensive security needs. The latter's visibility in cohesion policy has come not before time. Positively, the wider cohesion community seems to have caught up with this direction, acknowledging the need for cohesion to play a role in responding to the EU's existential security needs.

However, beyond a broad vision for action, the MTR offers no transitions-driven framework for regions to mobilise and connect their related challenges – whether green, digital, social or security-related. The Commission should come forward with a framework to expedite the roll-out of the re-oriented cohesion policy for the remainder of the current programming period, while supporting regions to prepare beyond 2027.

Amid a turbulent period of change for the EU, a strongly centralised cohesion policy shift is unfolding. This risks diminishing the Union's place-based policy commitments, while worsening inequalities. A whole cohesion community response is needed to counter this direction, with concerted, corrective action to 'stress-test' the vision set out in the MTR, and the extent to which all regions have the means to rise to the challenges ahead.

If the results of MTR are to be translated into concrete and effective action, several elements require further scrutiny, supported by territorial impact assessments. These include:

- ▶ **The re-purposing of cohesion funds for unfinished Recovery and Resilience Facility (RRF) projects** – this must be underpinned by a strongly targeted approach based on regional engagement and ownership.

- ▶ **Cohesion financing for large enterprises** – the case for their support needs to be well made, ensuring supply chain benefits accrue to regional innovation ecosystems (and beyond, to other EU territories) especially for the least innovative territories, to support the industrial defence of Europe.
- ▶ **Dual-use technologies and innovation** – efforts must be harnessed to cohesion policy's smart specialisation agenda, capturing territorial benefits and driving citizen-oriented value.

EU regions are exposed to a new operating environment of significant uncertainty, characterised by uncomfortable trade-offs and competing local priorities. In turn, the traditional toolkit for regional development is rapidly becoming obsolete. Supply-side skills and competences for EU public administrations must be upgraded to tackle a set of new public policy demands to improve the efficiency and effectiveness of public financing, not least in navigating complex transitions. A paradigm shift in EU regional and economic development is underway. Based on the collective learning that will come from the 'piloting' of the MTR's results, the Commission should design a new regional development framework to underpin the post-2027 cohesion policy.

As the EU navigates an important turning point in its trajectory, it must avoid sacrificing its long-standing equity considerations in pursuit of improved efficiency. The MTR's results expose the challenges and opportunities that lie ahead for EU regions. Cohesion policy must be reinforced to help drive course correction in an increasingly centralised and top-down decision-making approach to EU policy and investment. Cohesion policy must strengthen its challenge function in exposing and responding to centralised decisions that are made without due account of impacts on the places and people affected. A diminished cohesion policy will exacerbate the EU's existing divides and inequalities. The Union's internal security depends on getting this right.

Introduction

On 1 April, the European Commission published the mid-term review (MTR) of its cohesion policy in [a Communication titled “A Modernised Cohesion Policy”](#). With almost one third of the budget assigned to cohesion, the MTR is an important exercise at the halfway point of the long-term EU budget cycle. It provides an important opportunity to take stock of progress and to ensure the alignment of the policy with the emerging political priorities of the Union, allowing for a reorientation of EU investments.

The purpose of cohesion policy is to direct long-term, structural reform and investment capacity to the EU’s disadvantaged regions. Focused on generating more

even development across the EU’s territories, the policy targets economic, social and territorial disparities, with most of the financing directed towards places with the greatest challenges.

The MTR highlighted the need for unspent cohesion financing in the current programming period to be re-purposed towards five core priorities: competitiveness, defence, affordable housing, water resilience and energy transition. The Communication emphasised the need for reform of cohesion policy to be accelerated and reoriented towards the EU’s change agenda, addressing pressing priorities related to complex transitions and an unfolding security and defence agenda.

Opportunities and risks: high stakes call for course correction

The MTR was widely expected to provide clear signals of the policy’s post-2027 direction, as part of the next long-term EU budget. On this item, it has certainly delivered, injecting both a strong policy reform orientation and setting out clear parameters for the future role and direction of cohesion policy. The Communication also signalled a much stronger, centralised cohesion orientation, that is consistent with the will of member states, and aligns with the post-2027 Single National Plans (SNPs) architecture posed in the [Commission’s vision for the next long-term budget](#). It is, however, difficult to reconcile this direction with the place-based nature of cohesion policy, targeting finances according to regional gaps and opportunities, where investment decisions are taken under [a shared management approach](#). An increasing shift away from strong regional engagement points to a new era for the policy, characterised by a greater ‘top-down’ direction in cohesion’s policy design and investment approach.

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The framing of the post-2027 cohesion policy is, therefore, already taking shape. [For the EU’s most developed territories](#), this brings opportunities –

at least in the current programming period. Their more limited cohesion financing support can be more readily directed to opportunities outlined in the MTR (e.g. related to industrial investments and energy infrastructures) where pre-existing regional capacity – in economic structure, investment capacity and public sector governance – can accelerate action. However, for the less advantaged and least innovative regions, a persistent lack of capacity makes it more difficult and time-consuming to convert new structural objectives into long-term investments, with lasting benefits.

Unless rectified, it is almost certain that the EU’s divides and disparities, between less and more developed regions, will be reinforced, threatening the internal security of the Union. Rapid action must be taken to avoid this fallout. The MTR Communication requires member states and regions to deliver updated plans for cohesion policy by the end of the year. The 2026–27 period would see the delivery of these proposed changes. Regions, therefore, have a window of opportunity to assess and re-orient their territorial needs in light of the direction outlined in the MTR.

A concerted effort across the cohesion ‘community’ – those actors and networks across the EU who are strong supporters of EU cohesion policy – will be needed to generate solutions and ‘damage limitation’ measures avoiding further social, economic and territorial fragmentation of the EU. A great deal is at stake and will require strongly visible evidence of the risks and negative impacts that come with a more concentrated ‘winners and losers’ trajectory, in an era of multiple EU transitions. As the EU responds to a more challenging geopolitical context, its policy and investment pathway must avoid sacrificing equity in pursuit of improved efficiency.

The pre-2028 period is therefore critical in ensuring a clear direction for course correction that should underpin the design of the next cohesion policy. This needs to start with stress-testing the results of the MTR, to identify challenges that could further exacerbate the EU's uneven development. Actions that accentuate

pre-existing disparities risk creating further unrest in EU regions with less favourable economic, social and territorial outcomes. Aside from the injustices this could create, it is these places that are turning more towards anti-EU politics. The EU's internal security therefore depends on getting this right.

The MTR's financing direction: clipping the wings of EU regions

The MTR provides an opportunity to review spending at the programme's mid-point and to re-orient future financing. [An approximate absorption rate of 5% by September 2024](#) comes as no surprise. Previous programming funding cycles show that the 'cruising speed' of cohesion-related funding absorption comes during the second programming phase. [Concerns](#) have also been expressed that absorption rates in the current cycle of cohesion policy risked being slowed by the Recovery and Resilience Facility (RRF), where spending has been prioritised by national capitals, potentially creating a cohesion displacement effect. Overall capacity to spend cohesion financing in the current programming period has been more limited than usual. As the EU scrambles to amass investment capacity to support a very different set of needs, it was inevitable that cohesion policy would be called upon to contribute to this effort.

The MTR comes at a time when the EU project is seeking rapid reinvention to confront an increasingly hostile geopolitical and crisis-prone environment. Its direction signals a positive departure in cohesion policy's rather sluggish response to catching up with a radically changing EU direction. Under a forceful narrative that promotes the need for policy reform, flexibility and faster delivery, the MTR echoes the urgency of change that was expressed in the recent [multi-annual financial framework Communication](#). The repurposing of the 2026-27 cohesion funds will take the first steps into this foray.

With rather vague detail on how the repurposing process should be managed, this perhaps leaves (welcome) scope for tailored, regional responses. On the other hand, a lack of direction – together with a tight deadline for action – could see the adoption of national positions that overlook

the [partnership principle](#) or specific regional needs. This could limit the MTR's scope to generate a regionally driven, bottom-up design and delivery direction.

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For EU regions with clear, local jurisdiction and legislative powers, the prospects are better to reach a negotiated compromise with national capitals for targeted investments. This is less likely for regions with few local powers and where governance structures limit local influence in policy and investment decisions. Emboldened by the centralised direction of the RRF, many national capitals have strong, centralised management expectations for cohesion reprogramming. This is reinforced by the Commission's proposed post-2027 funding architecture, with [Single National Plans](#) poised to reduce regional, negotiation power in directing EU funds to cohesion-driven objectives.

In short, the MTR's re-purposing focus comes with a risk of a shift away from cohesion policy's place-based and territorially targeted purpose.

The MTR's funding menu: absent a comprehensive transitions framework

Since President Trump's inauguration, the EU faces a new reality of a much-diminished Transatlantic defence relationship. This change has seen accelerated EU investment in security-related concerns and is echoed in the MTR's priorities under the [Strategic Technologies](#)

[for Europe Platform](#), dual-use infrastructures and wider defence considerations. Re-purposed cohesion financing can support the expansion of the EU's dual-use toolkit to strengthen 'ReArm Europe' commitments, while reinforcing civilian benefits from such investment

(e.g. in clean, green mobility and improved protections to critical infrastructures).

In this respect, the MTR signals an important shift in how [cohesion policy can better serve the EU's comprehensive security needs](#). The MTR's thematic focus includes housing, energy transition, water resilience and strengthening the Eastern border regions. These are not mutually exclusive investment themes. They highlight the continued importance of EU support in the pathway to successful regional transitions. However, the framing of this agenda now needs an urgent upgrade from 'triple transitions' (based on green, digital and social transitions) to one that includes comprehensive security. Aligned under a quadruple transitions framework, more holistic national and

regional planning and investment efforts could be better captured and managed.

Helping regions to make sense – at the local level – of a radically changing EU agenda is urgently needed. The MTR falls short in offering a framework with a clear pathway for regions to better navigate multiple transitions, in a new era of regional development. The time available for national and regional authorities to plan for this change is limited to the end of 2025, since reprogramming is set to take effect in 2026. The absence of clear, EU strategic direction to support this risks sub-optimal delivery and impact. The Commission should follow-up the MTR Communication with a quadruple transitions framework, making the reprogramming process less onerous and more in line with the EU's new efficiency proposals.

The pathway towards a revitalised or diminished cohesion policy?

The MTR's conclusions have been broadly welcomed by the cohesion community, with in-principle agreement that the policy's effectiveness requires an upgrade. The widely expected push to orient investments towards STEP in the reprogramming process has now taken a leap towards a comprehensive security effort. This is a position that was hitherto resisted by the cohesion community, concerned about compatibility with the policy's core values and the EU's enforced shift away from its 'peace project' origins, where the development needs of the least advantaged and stagnating places could be compromised. Uncomfortable trade-offs have replaced a more predictable investment pathway, in an environment where the EU's long-term future is characterised by security concerns. Diminishing resistance to cohesion's investment role for EU security and defence is testament to the cohesion community's recent 'catch-up' with the EU's existential needs.

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The dust has clearly not yet settled on the implications of the MTR for the future of cohesion policy. When it does, this should bring a series of critical questions about its purported 'cohesion' focus. Directing

cohesion's investment capacity towards the Union's changing needs should not come with poor planning and design that compromises further the trajectories of the EU's least advantaged regions. The Cohesion community has consistently argued for EU policies to undergo [territorial impact assessments \(TIAs\)](#), seeking to avoid negative policy and investment impacts where decisions are taken without a clear understanding of different territorial circumstances. There is a strong case for applying TIAs in critiquing the possible impacts of the MTR. The case for greater scrutiny of the MTR is illustrated by the examples below:

- ▶ **Adopt caution in re-purposing cohesion funds to finance Recovery and Resilience Facility (RRF) gaps** – with the RRF ending in 2026 it seems very likely – as was predicted last year by [the European Court of Auditors](#) - that some reforms and related projects will need more time and financing. It is somewhat ironic that cohesion policy is being called on to 'finish the job' considering the extensive hype behind the RRF in its perceived capacity to offer a faster and more efficient funding model. Despite the two instruments sharing a cohesion purpose, the RRF's architecture was established under very different conditions and design features. This makes a reconciliation challenging but perhaps affords the benefit that the [cohesion model can re-orient the RRF's impact in a clearer, place-based and targeted direction](#). Successful 'conversion' relies on two conditions: first, strong evidence of why RRF reforms were not completed; second, the factors at play that influenced poor or ineffective financial targeting of RRF projects at regional levels. Without this analysis, there are risks of 'good' (cohesion) financing following 'bad' national RRF decisions.

► **Scrutinise Cohesion’s financing for large firms** – avoid the risks of non-additionality, while clarifying innovation ecosystem benefits related to funding for big companies. The reality of the EU economic model means that benefits mainly accrue to the best economic performers. This raises the deadweight risk of cohesion financing for large companies. Furthermore, investing cohesion funds in big companies could [widen existing uneven economic performance](#) across and within member countries. The MTR notes the benefits of innovation, tech transfer and diffusion by financing the efforts of large enterprises. With the EU’s [significant challenges in realising diffusion impacts](#) and scant evidence that large EU enterprises are well-connected to local supply chains, a carefully-conditioned financing approach is justified. This should:

- incentivise large firm / SME collaboration in more value-driven supply chains,
- encourage regional innovation systems to review comprehensive security opportunities, and
- support [the industrial defence of EUrope](#).

► **Clarify the local benefits of dual-use tech** – strengthening cohesion policy’s dual-use agenda must come with assurances that the design, implementation and long-term benefits have an embedded regional and citizen-driven purpose. Cohesion funds for dual-use

must not be allowed to drift too far from their ‘dual’ purpose. Allocating funds to serve a predominantly, ‘hard’ security function should be avoided. This calls for a strong, complementary policy design process that aligns regional innovation with STEP and EU Security Policy. [Existing EU policy and governance weaknesses](#) will make this difficult to realise. Clear pathways for policy alignment should be activated through [Smart Specialisation](#) providing a strong bridging mechanism, to facilitate the uptake of dual-use tech for comprehensive security. An initiative through the Commission’s Joint Research Centre – [REGDUALOSA](#) – offers important insights for interregional investments in dual-use technologies that could be strengthened and applied across EU regions. Incentivised financing for [the EU’s Interregional Innovation Investments Instrument \(I3\)](#) is noted in the MTR. This should be oriented to support dual-use innovation, especially targeting regions with less innovative capacity, to strengthen their comprehensive security.

The above examples illustrate how the policy’s historical ‘cohesion’ focus is far from guaranteed in the future. Its ‘checks and balances’ function in supporting a fair and just EU, championing solidarity and upholding the EU’s social model risks becoming sidelined in the EU’s new direction, characterised by a stronger ‘top-down’ approach to policy and investment. This centralised approach must be resisted to avoid negative social, economic and territorial impacts.

Survival of the fittest in a new era of EU regional development

The change of direction outlined in the MTR for the 2026-27 cohesion policy mirrors the EU’s radical shift in setting out its future priorities under a very different set of global circumstances, where accelerating multiple transitions is not optional. The era of the peace dividend and the post-war period of global integration and economic liberalism created an illusion of long-term stability that no longer exists. The radical break with the EU’s stability period comes with multiple tensions and challenges, that are being felt across the whole Union. Uneven impacts in addressing climate action and demographic change are creating further internal divides in an EU that has long experienced inequalities and disparities.

Regional, public policies must now be crafted in an uncertain environment, with ambiguous timescales and less secure financing. This radically different context comes with uncomfortable trade-offs and inevitable ‘casualties’ for an EU project committed to leaving no person or place behind. Reforms to improve outcomes in education, innovation, healthcare and legal systems are competing with investments in military mobility, renewable energy infrastructures and rearmament capacity.

Adapting to this challenging context will be difficult for all regions, but some will navigate the change better than others. Strong EU regions tend to be supported by robust governance models, solid administrative capacity and healthy financial and investment ecosystems. However, many other regions will struggle to meet the demands and priorities outlined in the MTR. The Communication acknowledges this, pointing to a national and regional pilot exercise which has explored improved governance and capacity for cohesion policy. However, this exercise does not go far enough to prepare regions for the wholesale change that lies ahead and stretches far beyond the parameters of cohesion policy.

Uneven impacts in addressing climate action and demographic change are creating further internal divides.

EU regions must be supported in preparing new policy frameworks to navigate a challenging era characterised by transitions that now include comprehensive security. This demands a new set of public administration skills and competences including: coordinated management of complex transitions; large-scale risk-taking in public procurement; upgraded governance; and data-driven foresighting capacity. The MTR fails to acknowledge these 'supply-side' regional gaps to deliver new demands. This could create significant bottlenecks in

realising successful transitions and will be felt most acutely in the regions with least capacity.

A paradigm shift is underway that challenges our current models and approaches to EU regional development. This requires a radical re-think of our public administration frameworks. Designing these solutions now, under the new demands of the MTR, could prove to be instructive in setting out a clear role for cohesion policy in the post-2027 period.

A new direction for cohesion policy: matching the narrative with the toolbox

The MTR has been masterfully carved as an exercise that promotes cohesion's core values while setting out a series of delivery options and incentives that risk undermining them. This direction reflects growing tensions within the Commission regarding the value of cohesion policy. At the same time, many national capitals have shown increasing willingness to sacrifice the policy's continued regional focus, for greater national control.

Under the MTR Communication, a new cohesion policy narrative has been woven, setting the foundations for its post-2027 purpose. Steering this change will be complex. The 2026-27 period offers a 'test ground' to assess how this will work and how regions will be affected. Regions must play a central role in designing and critiquing this re-purposed direction. It is far from clear whether cohesion policy's traditional toolbox is sufficient to navigate this pathway. Certainly, EU models and frameworks for regional economic development no longer fit the bill in helping regions to navigate a complex period of existential change.

The 2026-27 cohesion re-programming 'window' should be used to pilot ideas in the MTR, providing a stress-test of the policy's direction, while assessing existing regional development models in their capacity to help regions navigate a complex quadruple transitions era.

The 2026-27 period offers a 'test ground' to assess how this will work and how regions will be affected.

From this evidence, the foundations for a new EU regional development policy framework should be designed, ensuring fitness to respond to the demands of the 21st century. This framework should form the core of the post-2027 cohesion policy.

The EU faces very clear challenges and trade-offs in financing a new security era. Beyond existing transitions, a new 'quadruple transitions' context is emerging, placing a heavy burden on the Union's least resilient places and citizens. This will serve to perpetuate existing inequalities, fuelling unrest in disadvantaged territories and those places that fear imminent change for the worse. These are the territories where a concentrated sense of hopelessness and [discontent](#) prevails and where the EU's political far-right contingent is making new ground. The EU's internal security is under significant pressure.

Cohesion policy alone cannot counter this shift but it has always stood as the EU's main policy to highlight injustices that clash with our social model, supporting how member states and regions take targeted actions to respond to uneven policy and investment outcomes. The demands being placed on the EU project are generating increasingly limited space for cohesion policy to act as a 'compass' for correction. This brings significant risks. If the Union's guardrails to limit a 'winner takes all' (or most) are removed, the EU's value to citizens – both in the EU27 and accession countries - will be diminished. Its international stance as a defender of human rights, democracy and fairness – in an increasingly contested global order – will be difficult to sustain.

The proposed 2026-27 cohesion policy pivot, under the MTR, must revitalise – not diminish – the Policy's 'ground level' value in a new, EU comprehensive security era, characterised by multiple transitions.

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