Review

# 04

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# The Future of EU Cohesion Policy: Drawing lessons from the past

CURIA RATIONUM

EUROPEAN
COURT
OF AUDITORS

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## Why this area is important

**01** Cohesion policy is enshrined in Articles 174-178 of the Treaty on the Functioning of the European Union (TFEU). It aims to promote balanced development across the EU by strengthening economic, social and territorial cohesion and reducing disparities between regions. It focuses on overcoming structural weaknesses and building long-term resilience. The policy places a further focus on less-developed regions, rural areas, regions undergoing industrial transition or at risk of economic stagnation, and areas facing natural or demographic challenges.

**02** Management of cohesion policy is shared between the Commission and over 400 national and regional authorities in the member states. Design and implementation involve partnership between stakeholders from national, regional and local levels.

**03** From 1989 to 2023, the EU invested €1 040 billion through its cohesion policy, while an additional €392 billion has been allocated for the 2021-2027 programme period. It is the largest regional development policy of its kind in the world, and accounts for around one third of the EU budget. It is often described as a cornerstone of EU integration.

**04** The EU groups its regions into three categories, based on their GDP:

— Less-developed regions, with GDP per capita below 75 % of the EU average;

— transition regions, with GDP per capita between 75 % and 100 % of the EU average;

— more developed regions, with GDP per capita above the EU average[1].

[1] Article 108 of Regulation (EU) 2021/1060.

**05** Cohesion policy is implemented through the following funds, which co-finance numerous programmes and projects in member states:

— the European Regional Development Fund (ERDF), which supports social and economic development of regions;

— the Cohesion Fund (CF), which supports environmental and transport investments in the less prosperous member states;

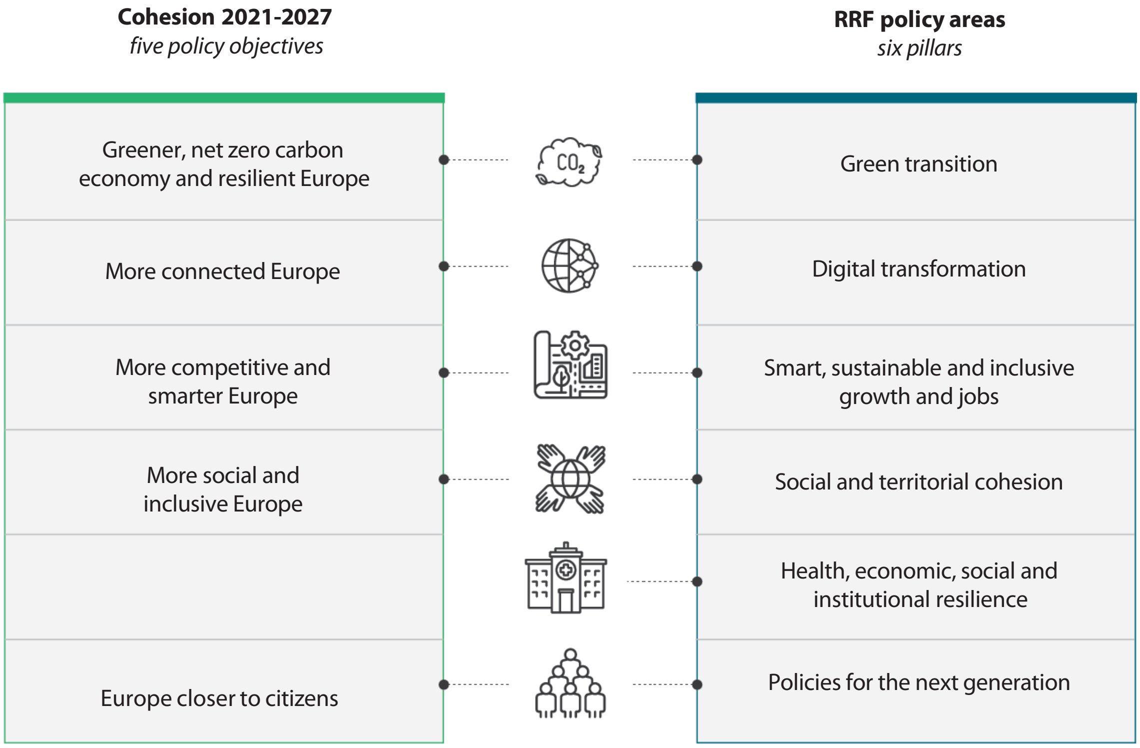
— the European Social Fund Plus (ESF+), which supports jobs and the creation of a fair and socially inclusive society in member states; and

— the Just Transition Fund, a new instrument for 2021-2027 that supports the regions most affected by the transition to climate neutrality.

**06** During the 2014-2020 programme period, cohesion policy contributed on average 14 % of total public investment in the EU as a whole, but with considerable variation between member states (***Annex I***).

**07** The Recovery and Resilience Facility (RRF) was created as a temporary instrument implemented by the Commission through direct management., It will operate concurrently with EU cohesion policy funds until its completion at the end of 2026. In many circumstances member states can choose to finance investments using either the RRF or the cohesion policy funds, or through a combination of both. ***Figure 1*** shows that spending priorities of the RRF and the cohesion policy funds are similar, although described differently. The fact that both instruments finance the same type of investments makes comparison between them unavoidable.

## Figure 1 – Cohesion objectives and RRF pillars




*Source:* ECA, based on Regulation (EU) 2021/1060 and Regulation (EU) 2021/241.

## Overall remarks and opportunities for the future

**08** This is not an audit report, but a review based on our previous work in the cohesion policy and RRF areas and other publicly available information. The aim of this review is to provide insight that contributes to the discussion on the direction of cohesion post-2027. Our review brings together our published audits, reviews and opinions between 2018 and May 2025 on different aspects of the design and implementation of cohesion policy, and, where relevant, compares them to our main conclusions on the RRF.

### Setting objectives

**09** The TFEU (Article 174) defines cohesion policy as a tool to strengthen economic, social and territorial cohesion and reduce regional disparities. Its focus has evolved and broadened over time, and the policy now encompasses an increased set of EU priorities and objectives, and is subject to a number of cross-cutting principles. This trend, which continues in the Commission's proposals under the 2025 mid-term review, risks increasing the fragmentation and complexity of cohesion policy programmes, and diverging from the core cohesion policy mission of reducing regional disparities (paragraphs ***26***-***29***).

**10** Competitiveness has become an important EU priority. The 2021-2027 cohesion policy already focuses on investment in key areas important for competitiveness, including innovation, decarbonisation and skills. Less-developed regions rely more on this support because, so far, it is the more-developed regions that have been the most successful in the highly competitive calls for accessing funds under direct management (such as Horizon Europe). In addition, there are limitations for using cohesion policy funding for large companies (paragraphs ***30***-***33***).

**11** A goal of cohesion policy is to address diverse regional and local development needs. The partnership principle for the preparation, implementation and evaluation of programmes aims to ensure that authorities, civil society and other stakeholders are meaningfully involved through a bottom-up and multi-level governance approach. However, despite this, we found that programme objectives do not always reflect specific needs. We also underlined the importance of using transparent, objective and needs-sensitive criteria to identify the best projects. In addition, we found that the potential of European territorial cooperation has not been fully realised (paragraphs ***34***-***37***).

**Box 1**

**Opportunities for future objective setting in cohesion policy**

When setting cohesion policy objectives in the future, there is the opportunity to:

(1) design objectives that remain rooted in the development needs and strategies of each region, in line with the partnership principle;

(2) limit fragmentation and complexity of cohesion policy funds, and prevent the multiplication of policy objectives and cross-cutting principles;

(3) support synergies between cohesion and directly-managed programmes, by aligning regulatory provisions such as requirements for public procurement and state aid rules.

**Flexibility in cohesion policy spending**

**12** The cohesion policy framework is designed to provide member states and their regions with a long-term strategic direction and predictability. At the same time, cohesion policy rules limit the flexibility of member states to re-allocate funds during the programme period to respond to their evolving needs (paragraphs ***38***-***43***).

**13** The reprogramming of cohesion policy funds is the main mechanism available to managing authorities to adapt programmes to new or updated needs during implementation. Reprogramming must be based on reasoned justification., The rules have allowed increased reprogramming possibilities in each successive period, although there is a significant administrative workload associated with the process (paragraphs *44*-*46*).

**14** Beyond its built-in flexibility arrangements, the regulatory framework for cohesion policy has often been amended to help member states address specific crises. Its suitability for responding rapidly to crises lies in its adaptability and the significant resources it can mobilise. The 2021-2027 rules allow for additional flexibility in times of crisis, enabling the Commission to take temporary response measures more quickly. However, using cohesion policy for short-term crisis response risks undermining its primary strategic focus on strengthening cohesion and reducing disparities between EU regions (paragraphs *47*-*49*).

**Box 2**

**Opportunities for flexibility in programming of funds in cohesion policy**

For future programming, there is the opportunity to:

(1) ensure that the long-term strategic focus on strengthening economic and social cohesion and reducing disparities is not undermined by measures that respond primarily to short-term needs;

(2) ensure that rules, such as thematic concentration, allow sufficient flexibility for regions to ensure that their investments address their needs while also contributing to EU priorities;

(3) take a more flexible approach, for example by not programming all funds in the first years of the period, while maintaining a balance between long-term strategic planning needs and adapting to emerging needs;

(4) streamline reprogramming procedures and Commission approval processes in order to keep the administrative workload to the minimum necessary.

### Simplification of the regulatory framework

**15** Since the 2000-2006 programme period, simplification has been a recurring Commission objective for cohesion policy funds. The rules governing the implementation of EU cohesion policy are important for ensuring that the funds are spent with a view to achieving the policy objectives, and that they deliver value for money. However, these rules are often considered overly complex. They comprise specific EU cohesion policy rules, in particular eligibility; other cross-cutting and internal market EU rules, such as those on public procurement and state aid; and national (and sometimes even regional) rules covering aspects important to policy makers and regulators on the ground. This creates administrative costs for both beneficiaries and programme administrators alike, and increases the risk of error. For simplification to be worthwhile it has to take account of all relevant EU, national and regional rules. As we have repeatedly pointed out, simplification must not come at the expense of accountability and performance (paragraphs *50*-*52*).

**16** The rules governing the reimbursement of costs incurred by beneficiaries require extensive documentation and control mechanisms. Simplified cost options represent a simplification, and are less prone to unintentional errors. Yet, despite some progress, their uptake by managing authorities remains limited, in particular for the ERDF (paragraph *53*).

**Box 3**

**Opportunities for further simplification of cohesion policy**

For any future simplification initiatives, there is the opportunity to:

(1) rationalise the legal framework without undermining the achievement of cohesion objectives. This includes reconsidering specific EU cohesion policy rules, cross-cutting EU rules applicable to the policy, and additional rules imposed by member states and regions;

(2) ensure that simplification does not come at the expense of accountability and performance;

(3) boost the use of simplified cost options in general, and off-the-shelf simplified cost options in particular.

**Absorption of funds**

**17** Absorption capacity is the ability of national and regional administrations to spend the financial resources they have been allocated. Different factors affect absorption capacity, both across and within member states. These include the late adoption of regulatory frameworks and approval of programmes, as well as the insufficient administrative capacity of managing authorities to select and implement projects (paragraphs *54*-*55*).

**18** To use cohesion funding effectively, it is crucial that managing authorities avoid spending significant amounts of funds late in the programme period, as this can limit the attention they pay to the potential added value and quality of the projects they select. Previously-observed absorption issues in cohesion policy have been exacerbated in the 2021-2027 programme period due to a significantly delayed regulatory framework, competition with the RRF, and the resulting strain on administrative capacity. We noted that the higher pre-financing under the RRF initially facilitated the disbursement of funds available in this instrument (paragraphs *56*-*62*).

**Box 4**

**Opportunities for quicker fund absorption**

To improve the speed of fund absorption in cohesion policy, there is the opportunity to:

(1) adopt the legislative framework far enough in advance to allow a timely start of programme implementation;

(2) establish a faster programming exercise;

(3) provide member states with adequate pre-financing levels to facilitate the timely implementation of projects.

**Increasing performance orientation**

**19** The Commission has been aiming to increase the performance orientation of cohesion spending in recent programme periods by incentivising member states and regions to focus on achieving results throughout programme implementation. To this end, it introduced a number of new mechanisms. However, overall, they have not made a noticeable difference in the way EU funding has been allocated and disbursed (paragraphs *63*-*66*).

**20** Our conclusions indicate that conditionalities provide weak incentives for cohesion spending to be effective. In certain areas, cohesion policy can already provide financial support for implementing reforms, and the Commission recently proposed to further extend this support. While the RRF was designed to support reforms in member states, the results in terms of addressing structural challenges and contributing to EU objectives have so far been limited. A way to incentivise performance orientation is through the financing-not-linked-to-costs model. However, extensive use of this model in the RRF does not make it a performance-based instrument. Uptake of the model in cohesion policy has increased in the 2021-2027 period compared to 2014-2020, but is still limited (paragraphs ***67***-***79*** and ***90***-***92***).

**21** Monitoring and evaluation are key in determining the contribution made by cohesion spending to achieving cohesion policy objectives. While the monitoring system is extensive, our reports show that it does not provide sufficient information on cohesion policy achievements at EU level, particularly the results. We have reached similar conclusions regarding the RRF, for which most common indicators only measure output. The unavailability of reliable data, coupled with a lack of timely evaluation results to inform the preparation of the post-2027 legal framework, significantly limits the role of evaluation in supporting evidence-based policymaking (paragraphs ***80***-***89*** and ***90***-***92***).

### Box 5

### Opportunities for performance orientation

For future cohesion policy funds, there is the opportunity to:

(1) only support reforms that directly improve the efficiency and effectiveness of EU-financed investments;

(2) ensure that reforms and investments are defined at the same level (national or regional) so that payments to regions are not dependent on the successful implementation of national reforms;

(3) take into account the context of each region when requiring them to enact reforms, and focus investments on their specific untapped economic potential as a way to achieve growth;

(4) strengthen evidence-based policymaking by ensuring the availability of useful and reliable monitoring data, and timely high-quality evaluation results.

If performance-based funding models are used in cohesion policy, there is the opportunity to:

(5) clearly link funding to results. If this is not possible, such a system should not be applied;

(6) ensure that performance-orientation goes beyond specifying payment conditions, such as milestones and targets, and includes all elements needed for the assessment of effectiveness and efficiency;

(7) define payment conditions in a harmonised way, and apply them consistently for all member states to ensure equal treatment;

(8) clearly define the scope and objectives of these instruments to maximise the impact of EU funding and avoid overlaps between different programmes;

(9) provide timely and transparent information about what contribution funding has made towards achieving the instrument's objectives, and how.

**Regularity of cohesion spending**

**22** Traditionally, cohesion payments mostly reimburse project costs declared by beneficiaries, which need to comply with complex EU and national rules and processes. This creates a high inherent risk of rules not being followed, leading to errors. Our audits have shown over the years that cohesion spending remains the EU budgetary area with the highest rate of compliance errors, continually above the materiality threshold. This means that the assurance framework in place is not yet fully effective (paragraphs *93*-*97*).

**23** The member state authorities report to the Commission the payments they have made to beneficiaries that they consider eligible for EU financing, and provide assurance that they are regular. Under the cohesion assurance framework, the Commission should have assurance that management and control systems function effectively. However, for this the Commission is heavily dependent on the effective functioning of the systems of member state authorities involved in verifying and auditing cohesion policy funds (paragraphs *98*-*101*).

**24** Unlike for cohesion spending, compliance with EU and national rules is not a condition for payment under the RRF. We reported that the RRF compliance framework, and rules for the protection of the EU's financial interests are not sufficiently robust and that it is essential for future instruments to be designed and implemented in a way that is not detrimental to accountability and transparency. While the two delivery models differ, we have found that the assurance/compliance frameworks underpinning both models – including member state control systems – are not sufficiently effective. Moreover, the Commission cannot make corrections for individual breaches of public procurement rules for the RRF, except in the case of serious irregularities such as fraud, corruption or conflict of interest (paragraphs *102*-*104*).

**Box 6**

**Opportunities for better cohesion spending regularity**

To ensure legality and regularity, there is the opportunity to:

(1) put in place appropriate accountability arrangements;

(2) reinforce control systems to ensure compliance with EU and national rules; and

(3) ensure there are effective arrangements in place to recover misused funds.

# Factors affecting the implementation of cohesion policy

**25** The Commission has overall responsibility for implementing the EU budget. For cohesion policy funds this responsibility is shared with member states. National and regional authorities decide how to spend the funds in accordance with the EU's priorities and objectives. Managing authorities select the projects to be supported, make the payments to beneficiaries, and manage and monitor implementation. In this section, we use the results of our audit and review work to identify opportunities for better implementing cohesion policy.

## Setting objectives

### Cohesion policy objectives have become broader over time

**26** Under Article 174 of the TFEU, cohesion policy was originally created with the objective of reducing regional disparities. Its focus has evolved and widened over time to encompass an increased number of EU priorities[2]. It contributes to the delivery of a broad set of EU objectives, including the green and digital transitions, and policy areas such as research and innovation, employment, education and skills, cooperation across borders, sustainable transport and social inclusion. ***Annex II*** presents a synthesis of report findings covering the impact of cohesion policy on reducing disparities and its implications for addressing social and economic inequalities across the EU.

**27** The Commission's regulatory proposals, made as part of its 2025 mid-term review, reflect that cohesion resources are increasingly mobilised to address emerging EU priorities. The proposals include incentives for managing authorities to reprogramme their funds to reflect the shift in priorities towards competitiveness, affordable housing, water resilience, defence production capacity and military mobility. We note in our opinion on these proposals that, while this may enhance responsiveness to evolving priorities, it also risks increasing the fragmentation of cohesion policy programmes and adds complexity to their implementation. Moreover, using the available funds to serve broader strategic objectives risks weakening the place-based approach – that is, the principle of tailoring investments to the specific

[2] The future of EU cohesion: Scenarios and their impacts on regional inequalities – Cost of non-Europe, EPRS, 2024, p. 8.

needs and potential of each region – and risks reducing the effectiveness of the policy in narrowing regional disparities. Furthermore, the absence of an assessment of the impact of the Commission's proposals makes it difficult to assess the potential effects of the proposed changes.

**28** In addition, cohesion policy is also subject to a set of cross-cutting principles: 'do no significant harm' (to environmental objectives); compliance with the Charter of Fundamental Rights of the European Union; gender equality; prevention of discrimination; promotion of sustainable development; and support for the achievement of the UN Sustainable Development Goals and the Paris Agreement[3]. In addition, member states are required to take into account relevant country-specific recommendations of the European Semester process when programming and implementing cohesion policy (paragraph ***67***). Given the broad range of objectives and principles that cohesion policy is expected to address, we have previously pointed out the need for clear EU priorities, with relevant targets[4].

**29** Cohesion policy aims to address both regional and national needs, while also contributing to broader European objectives. Generating EU added value implies that an action taken at EU level delivers greater benefits than action taken at national, regional or local level. Our review 03/2025 notes that EU added value can only be measured effectively if it is clearly defined and applied consistently.

### Increased focus on competitiveness

**30** The Council's strategic agenda for 2024-2029 and the Commission's political priorities for the same period focus on improving the EU's competitiveness by increasing productivity compared to its global competitors. Recent geopolitical developments have made the EU's economic security and competitiveness important priorities. Cohesion policy funding supports competitiveness as a way to promote growth. It notably contributes to reducing regional disparities by supporting the growth potential of less-developed regions.

**31** A number of EU funds supporting competitiveness, such as Horizon Europe, are directly managed by the Commission. This means funding decisions are made at EU level rather than by national or regional authorities. There are significant differences between EU regions and member states in their levels of participation in these

[3] Recital 16 and Article 9 of Regulation (EU) 2021/1060.

[4] Review 08/2019 (Briefing paper), paragraphs 14 and 128.

programmes. Participation is typically based on highly competitive calls for proposals, and regions with a higher innovation performance are more likely to be successful in obtaining these funds[5]. Horizon Europe addressed the innovation divide targeting low-performing member states, but the funding is very limited compared to cohesion[6]. Cohesion support is therefore important to increase competitiveness in less-developed regions.

**32** The Commission fosters improved synergies between directly managed programmes and (shared management) cohesion policy funds[7]. We have previously reported that a lack of alignment between regulatory provisions hampers such synergies. For example, contrary to cohesion policy, directly-managed programmes do not require investments to comply with the 'do no significant harm' to the environment principle.

**33** Competitiveness support under ERDF and CF focuses on investments in SMEs. We have acknowledged the importance of supporting SMEs as the backbone of the EU economy[8]. However, while member states may use the RRF to support large companies, ERDF and CF funding for productive investments in such entities is limited. Only under certain conditions can ERDF and CF support research and innovation, energy efficiency and renewable energy projects, and investments contributing to the objectives of the Strategic Technologies for Europe Platform[9].

### Addressing regional and local needs

**34** Cohesion policy is designed to strengthen economic, social and territorial cohesion, and to respond to the diverse development needs of regions across the EU. It is rooted in the partnership principle. The purpose is to ensure that regional and local authorities, civil society and other stakeholders are meaningfully involved throughout the preparation, implementation and evaluation of programmes. The partnership principle also aims to ensure that programmes are grounded in a

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5 Special report 23/2022, paragraph 50 and Figure 8; Molica, F. and Marques Santos, A, Complementarities between R&I funds across EU regions, Joint Research Centre, 2024.

6 Special report 15/2022, paragraph II.

7 Special report 23/2022, paragraphs 3-4.

8 Special report 08/2022, paragraph I.

9 Article 5(2) of Regulation (EU) 2021/1058.

bottom-up and multi-level governance approach, with tailor-made support to territorial challenges and local needs[10].

**35** We have found that needs assessments were not always sufficiently linked to the programme objectives. As a result, objectives set in programmes did not always reflect regional or national needs, and/or were unclear[11]. Strong needs-based programming and selection practices would have helped ensure that cohesion policy delivers genuine value on the ground. We have underlined the importance of using transparent, objective and needs-based criteria to identify the projects that best address regional development gaps and fund projects that would not otherwise take place[12].

**36** Cohesion policy also supports cooperation between regions and countries through European Territorial Cooperation programmes, known as 'Interreg'. These programmes seek to overcome border-related barriers and address common challenges identified jointly by member states and regions. For both the 2014-2020 and 2021-2027 periods, Interreg accounted for less than 3 % of the cohesion budget, limiting the scope for addressing cross-border or transnational challenges. For the existing cross-border programmes, we found that their potential to unlock development capacity in border regions has not been fully exploited[13].

**37** Cohesion policy and the RRF share common objectives and finance similar types of investment (***Figure 1***). While cohesion policy operates through multiple programmes with a strong focus on territorial needs and on less-developed regions, the RRF is a centralised instrument implemented through a single national plan per member state. Unlike cohesion policy, the partnership principle does not apply to the RRF. Member states are only required to provide the Commission with an overview of the consultations they held when preparing their RRF recovery and resilience plans (RRP)[14].

[10] Article 8 of Commission Delegated Regulation (EU) 240/2014.

[11] Review 08/2019 (Briefing paper), paragraphs 35-36; special report 19/2018, paragraph 99; special report 05/2017, paragraphs 165 and 170; special report 08/2015, paragraph 66.

[12] Review 08/2019 (Briefing paper), paragraphs 31 and 37-38; special report 21/2018, paragraphs 15-16.

[13] Special report 14/2021, paragraphs 7 and 93-94.

[14] Review 01/2023, paragraphs 37-38.

## Flexibility in cohesion policy spending

**38** Flexibility in cohesion policy spending refers to the ability to adjust programmes to respond to evolving socio-economic conditions, unforeseen challenges, and emerging priorities. This section outlines how flexibility has increased over time, including in response to crises.

### Long-term planning provides predictability but may hamper flexibility

**39** The cohesion policy framework is designed to provide long-term strategic direction and predictability. Funds are allocated to member states based on high-level political negotiations at EU level[15]. Member states then distribute their budgetary allocations to national and regional programmes, taking into account the categories to which their regions belong (paragraph ***04***). This approach enables financial predictability, allowing investment and support to be provided for extended periods of up to ten years, but limits flexibility to adapt programmes to evolving needs or crisis response.

**40** In addition, decommitment rules require member states to spend their annual allocated funds within a set timeframe – typically two or three years – or risk losing them[16].

**41** Member states define the use of each fund for the whole period through partnership agreements and programmes, based on needs assessments and subject to Commission approval. Funds are earmarked for specific objectives and policy areas and thematic concentration rules apply following a top-down approach (***Box 7***).

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[15] Review 03/2019 (Rapid case review), paragraph 6.

[16] Article 105 of Regulation (EU) 2021/1060.

### Box 7

### Thematic concentration rules

Thematic concentration rules require a significant proportion of cohesion policy funding to be allocated to EU priorities, with thresholds varying according to the category of region or specific social challenges. For 2021-2027[17]:

— under the ERDF, more-developed regions must allocate at least 85 % of funds to competitiveness and innovation and the green transition, and at least 30 % specifically to the green transition. In turn, less-developed regions must allocate at least 25 % of the funds to competitiveness and innovation and at least 30 % to the green transition. In addition, at least 8 % of the ERDF at national level should be allocated to sustainable urban development;

— under the ESF+ at least 25 % of funds must be earmarked for social inclusion, and at least 3 % for support to the most deprived. Where member states have rates of child poverty, or young people not in employment, education or training, above the 2017-2019 EU averages, they must programme at least 5 % for child poverty and 12.5 % for youth employment.

**42** Thematic concentration helps strengthen the link between the EU priorities and EU funding[18]. We note that frequent derogations to the thematic concentration rules have been introduced into the cohesion policy regulatory framework to facilitate reprogramming. This may weaken the credibility and overall effect of thematic concentration requirements[19].

**43** Compared to cohesion policy funds, the RRF imposes fewer eligibility conditions and applies different thematic earmarking. The latter is limited to a minimum of 37 % of the total allocation to support the green transition, and 20 % to support the digital transition[20].

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[17] Articles 4 and 11(2) of Regulation (EU) 2021/1058; article 7 of Regulation (EU) 2021/1057.

[18] Opinion 06/2018, paragraph 17; special report 02/2017, paragraphs 67-80.

[19] Opinion 02/2025, paragraph 41; special report 02/2023, paragraph 69; special report 02/2017, paragraphs 69 and 144.

[20] Article 18(4)(e) and (f) of Regulation (EU) 2021/241.

### Reprogramming has become more frequent

**44** The reprogramming of cohesion policy funds is the main mechanism available to managing authorities to adapt programmes during implementation to meet new or updated needs. Amendments require a reasoned request, accompanied by a description of the expected impact on the achievement of programme objectives. They must also respect key constraints – such as thematic concentration – and obtain Commission approval to ensure alignment with EU objectives and legal requirements[21]. With each new programme period – including 2021-2027 (***Box 8***) – the rules have been increasingly adapted to facilitate reprogramming.

**Box 8**

**New flexibilities built into the 2021-2027 programme period**

— Up to 8 % of the allocation for a given priority can be reallocated to another priority within the same fund, programme, and category of region without Commission approval (capped at 4 % of the total programme budget).

— 50 % of programme allocations for the final two years are definitively allocated during the 2025 mid-term review, allowing adjustments to reflect evolving socio-economic conditions.

— Amendments to partnership agreements, subject to Commission approval, are no longer required to reflect programme changes[22].

**45** Managing authorities have been modifying programmes more frequently, sometimes repeatedly within short periods[23]. In the 2007-2013 period, programmes were modified on average 1.3 times; this increased to 8.2 times for 2014-2020. Over 15 % of the total 2014-2020 funds were reprogrammed. In some programmes, more than half the funding was reallocated. We observed that the reprogramming process adds to the administrative workload for managing authorities[24].

**46** For both cohesion policy and the RRF we noted delays in implementing investments as planned, in part due to external circumstances (e.g. inflation, supply

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[21] Article 24 of Regulation (EU) 2021/1060.

[22] Recital 18 and articles 18, 24(5) and 26 of Regulation (EU) 2021/1060.

[23] Special report 24/2021, paragraphs 53-57 and 120; special report 17/2018, paragraphs 46-47.

[24] Special report 02/2023, paragraphs 35-36.

chain issues and legal difficulties). These delays put the effective uptake of the funds at risk[25]. To address the RRF implementation challenges, all member states used the option of revising their RRPs, subject to Commission assessment and Council approval[26].

## Cohesion policy has often been adjusted to enable crisis-related flexibility

**47** Beyond the built-in flexibility arrangements, the cohesion policy regulatory framework has often been amended to help member states address specific crises (***Figure 2***). The Common Provision Regulation (CPR) was modified 16 times in the 2007-2013 and 2014-2020 programme periods to introduce temporary measures. These measures typically aimed to relax rules (e.g. allowing transfers or expanding eligibility) and to ease pressure on national budgets through options such as 100 % EU financing[27]. Around 30 % of the amendments to ERDF and CF programmes during the 2014-2020 programme period were specifically aimed at activating the crisis-response provisions newly introduced in the CPR.

[25] Special report 13/2024, paragraphs 29-41.

[26] Article 21(2) of Regulation (EU) 2021/241.

[27] Special report 02/2023, paragraphs 84-85.

## Figure 2 – Cohesion policy response to crises over the 2007-2013 and 2014-2020 periods

**2009-2010**

**Economic and financial crisis**

**Series of measures to accelerate and simplify cohesion policy spending to tackle the negative effects of the financial crisis and alleviate pressure on national resources**

- Extension of 2000-2006 programmes
- Relaxation of 2007 decommitment rules to prevent fund loss
- Increased pre-financing and frontloading EU co-financing to inject liquidity
- Simplification of rules to accelerate spending

**2011-2016**

**Serious financial difficulties of member states**

**Additional measures for member states particularly affected by the financial crisis**

- Higher EU co-financing for affected countries
- Decommitment deadline extended for Romania and Slovakia
- Option to set-up risk-sharing instruments under cohesion policy
- Specific financial measures for Greece

**2016-2017**

**Italian earthquakes**

**After earthquakes in Italy in 2016, measures to support reconstruction in regions hit by major natural disasters**

- New priority axis to fund reconstruction through ERDF
- 100% EU financing and retroactivity from disaster date

**2018**

**Flow of refugees from Syria**

**In response to the refugee crisis that started in 2015**

- Specific provisions introduced to facilitate the use of funds to support the reception and integration of refugees

**2020**

**COVID-19 pandemic**

**A series of measures to facilitate the use of cohesion policy funds in the context of the global pandemic**

- CRII /CRII+: 100% EU financing for one year, exceptional non-recovery of pre-financing, retroactivity and flexibility to redirect funding
- REACT-EU: additional funds under a separate thematic axis with 100% EU financing

**2022**

**Flow of refugees from Ukraine**

**Measures to help member states supporting people fleeing the war in Ukraine (CARE)**

- 100% EU financing for one year and increased pre-financing
- Flexibility for refugee-related operations including a new specific simplified cost options

**2023**

**Energy crisis**

**Measures to adress high energy prices (REPowerEU)**

- 100% EU financing for some measures
- Flexibility in the use of resources

*Source:* ECA, based on Commission data.

**48** Cohesion policy has been used for rapid crisis response because of its adaptability and the significant resources it can mobilise. Our analysis of the Coronavirus Response Investment Initiative (CRII) and Cohesion's Action for Refugees in Europe (CARE) initiatives during the 2014-2020 programme period shows the potential of cohesion policy to respond to crises. Regulatory changes enabled unused funds to be redirected, but those managing authorities that had already committed their allocations were not able to use these flexibilities[28]. Based on this experience, the 2021-2027 rules allow additional flexibility in times of crisis. They enable the Commission to respond to exceptional situations more quickly through temporary measures, provided the Council recognised them as such. For example, this includes increasing co-financing by 10 percentage points, or allowing completed projects to be selected retrospectively for a period of up to 18 months[29].

**49** However, we have reported that recurrent recourse to cohesion policy for short-term crisis response risks undermining its primary strategic focus of strengthening economic and social cohesion and reducing disparities between EU regions[30].

## Simplification of the regulatory framework

**50** As for any area of public spending, EU cohesion policy rules are important to help ensure that funds are allocated in order to achieve the policy's objectives, in line with the principle of sound financial management. Cohesion policy rules are often considered overly complex, contributing to unnecessary administrative costs for both beneficiaries and programme administrators, and one of the factors leading to a high risk of error[31] (***Box 13***).

**51** Simplification has been a recurring objective of the Commission in the design and implementation of cohesion policy since the 2000-2006 programme period. Further measures were introduced for 2014-2020 and 2021-2027, mainly for managing

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[28] Special report 02/2023, paragraphs 23, 85 and 88; special report 05/2025, paragraphs 22, 25 and 81.

[29] Article 20 of Regulation (EU) 2021/1060; article 4(3) of Regulation (EU) 2021/1057; article 5(6) of Regulation (EU) 2021/1058.

[30] Special report 02/2023, paragraphs 85 and 94.

[31] Review 05/2018(Briefing paper), paragraphs I, 18 and 61; 2020 annual report, paragraphs 1.18 and 1.21.

authorities[32] (***Box 9***). Simplification continues to feature prominently on the EU agenda for the post-2027 period[33]. We support simplification, as complex rules contribute to increased irregularity[34]. However, we have repeatedly pointed out that simplification must not come at the expense of accountability and performance[35].

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[32] Review 05/2018 (Briefing paper), paragraphs 2 and 4-5; Commission Simplification Handbook for 2021-2027.

[33] Council conclusions on cohesion and cohesion policy post-2027, 2025; Mission Letter of Executive Vice-President for Cohesion and Reforms, European Commission, 2024.

[34] Opinion 06/2018, paragraph 7; 2020 annual report, paragraphs 1.18 and 1.21.

[35] Opinion 06/2018, paragraph 50; review 05/2018(Briefing paper), paragraphs 14 and 38; special report 22/2024, paragraphs 40 and 101.

**Box 9**

**Examples of simplification initiatives**

The 2014-2020 CPR introduced:

— simplified cost options (SCOs): broader legal basis for lump sums, standard scales of unit costs and flat rates, including off-the-shelf flat rates pre-defined by the Commission;

— harmonised rules: introduction of a single CPR covering multiple funds, aimed at increasing coherence;

— proportionate control measures: fewer audits would be necessary for well-functioning programmes.

The 2021-2027 CPR introduced:

— financing-not-linked-to-costs: new option allowing payments to be based solely on fulfilment of conditions, milestones or outputs;

— extended use of SCOs: approved rates from 2014-2020 could be re-used without further justification;

— streamlined programming documents: more concise partnership agreements and programmes, with fewer mandatory elements;

— flat-rate technical assistance linked to programme implementation progress, reducing need for detailed cost reporting;

— risk-based management verifications, option for enhanced proportionate audit arrangements and reinforcement of the single audit principle.

**52** Cohesion policy is governed by several sets of rules. First, specific EU cohesion policy rules for each of its funds. Second, other cross-cutting – but not cohesion policy specific – EU rules, such as those covering the internal market (public procurement and state aid). Third, national (and sometimes even regional) rules covering aspects important to policy makers and regulators at that level. For simplification to be effective, it has to take into consideration all (specific and non-specific) rules applicable to cohesion policy.

**53** Rules governing the reimbursement of costs incurred by beneficiaries (as used for the majority of cohesion spending) require extensive documentation and control mechanisms. Beneficiaries must keep and present a wide range of supporting documents (invoices, time records, contracts, etc.) for subsequent verification. SCOs therefore represent a simplification. They can reduce the burden of documenting expenditure actually incurred and we found that they are less prone to unintentional errors[36]. Yet, despite some progress, their uptake by managing authorities remains limited, in particular for the ERDF, (***Box 10***).

**Box 10**

**Simplified cost options**

SCOs are pre-defined methods for calculating eligible expenditure, instead of using actual costs incurred. They aim to achieve numerous benefits, such as reduced administrative costs, improved auditability and more timely project implementation.

SCOs were first introduced for ESF operations in the 2007-2013 programme period, and their use has since been extended. By the end of the 2014-2020 programme period, the Commission estimates that SCOs will have covered 33 % of ESF and 4 % of ERDF/CF spending. Overall, we estimated that around €22.5 billion, or 8.5 % of the grant-based 2014-2020 cohesion spending will have been reimbursed almost entirely through SCOs[37].

For the 2021-2027 cohesion policy funds, the use of SCOs became mandatory for ERDF and ESF+ funded operations up to €200 000[38]. The Commission also introduced more off-the-shelf schemes[39], further simplifying their application and reducing the potential for error. The Commission estimates that, at the level of beneficiaries, SCOs would cover around 44 % of the ESF+ and 11.5 % of the ERDF budgets respectively[40].

## Absorption of funds

**54** Absorption is the ability of national and regional administrations to spend the financial resources they have been allocated[41]. Member states receive payments from

[36] Review 03/2024, paragraphs 118 and 120.

[37] Special report 24/2021, paragraphs 89 and 101; Use and intended use of simplified cost options in ESF, ERDF, CF and EAFRD, European Commission, 2018, pp. 42 and 53.

[38] Article 53(2) of Regulation (EU) 2021/1060.

[39] Article 94(4) of Regulation (EU) 2021/1060.

[40] Study on the uptake of SCOs and FNLC for the CPR in the 2014-2020 and 2021-2027 programming periods, European Commission, 2024, pp. 48-49 and 118.

[41] Special report 17/2018, paragraph I.

the EU budget as a partial reimbursement of the eligible costs incurred by the projects under their cohesion programmes.

**55** Different factors affect absorption capacity across and within member states. These include delays in the adoption of regulatory frameworks by the co-legislators and approval of operational programmes, overlapping programme periods and programmes, coexistence with other direct or shared management instruments, and managing authorities' administrative capacities[42]. According to Commission analysis, the technical capacity of managing authorities – and of governments more generally – is an important factor affecting their capacity to absorb cohesion funding and the effectiveness of the investments financed[43].

## Late adoption of regulatory framework and programmes put pressure on the use of cohesion policy funding

**56** To maintain a focus on using cohesion policy funding effectively and regularly, it is crucial that managing authorities avoid situations where significant amounts of funds need to be absorbed towards the end of the programme period. We reported that such pressure can lead programme authorities to focus on absorption only, and devote less attention to the potential value-added of the investments being supported[44].

**57** The approval of the legislative framework by the co-legislators is a pre-requisite for completing the preparation of programmes. Once the Commission approves the programmes, implementation can start in the member states. We have observed in successive MFFs that the cohesion legislative framework, partnership agreements and programmes were approved increasingly later (***Figure 3***)[45]. This contributed to a low level of absorption in the first years, increasing the pressure to absorb funds towards the end of programme periods in order to catch up. The delays were significant in the 2021-2027 period, when managing authorities were also involved in programming REACT-EU and implementing other emergency measures (CRII, CRII+, CARE, CARE+, RRF)[46].

[42] *Ibid.*, paragraphs III, IV and 14-22.

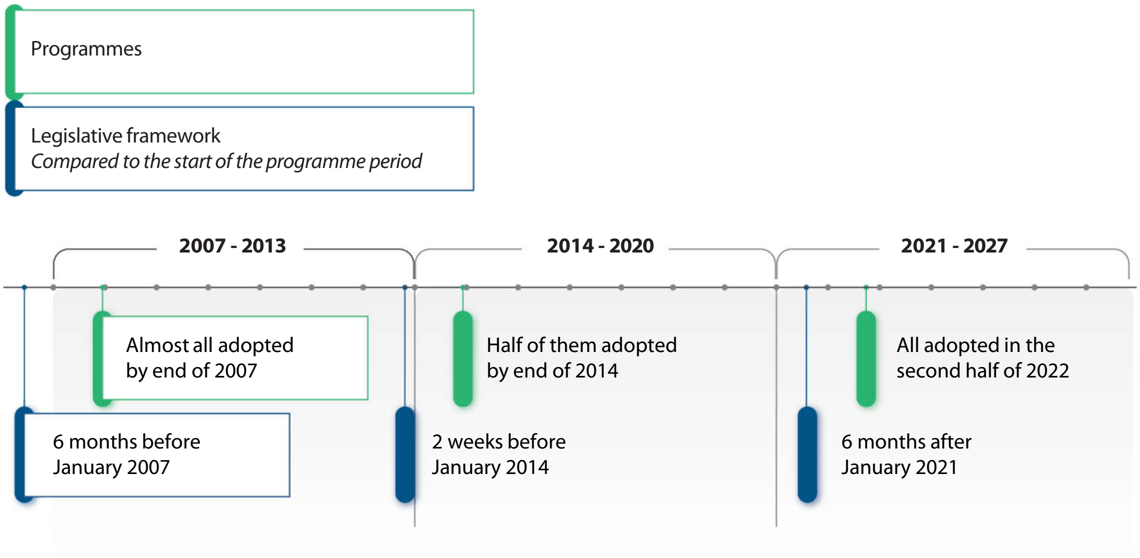
[43] Ninth Cohesion Report, p. 274.

[44] Special report 17/2018, paragraph I.

[45] *Ibid.*, paragraphs 16 and 19; COM(2025) 46.

[46] Review 01/2023, paragraph 46.

### Figure 3 – Approval of legislative frameworks and programmes




*Source:* ECA.

**58** For the 2014-2020 period, temporary flexibility was introduced to allow cohesion policy funds to address emerging priorities, alongside EU financing rates of up to 100 %. Together these two measures contributed to making it easier for member states to absorb cohesion policy funds, especially the more-developed regions[47]. However, we have previously identified that mandatory national or private co-financing is an important principle for cohesion policy funds, as it supports ownership and incentivises regular, efficient and effective spending[48]. It also increases the overall volume of funding available to support EU policy priorities.

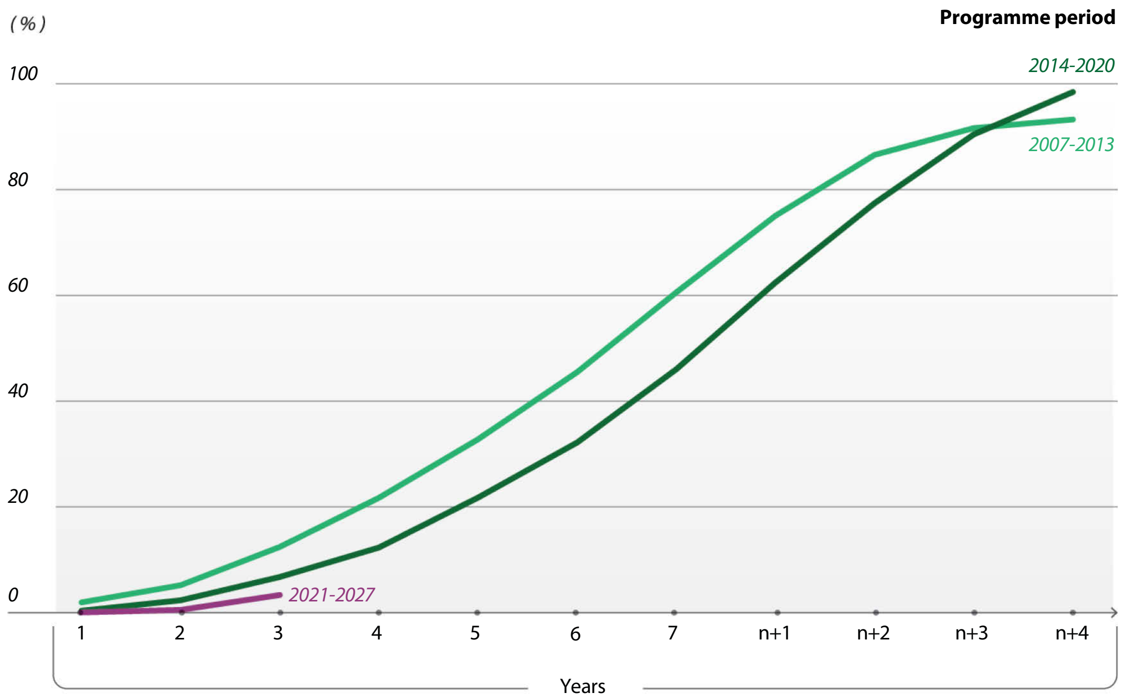
## Coexistence of RRF and cohesion funding poses additional absorption risks

**59** ***Figure 4*** shows the absorption rates in cohesion during the three programme periods.

[47] Review 03/2024, paragraphs XI, 138-145 and 162; Absorption rates of Cohesion Policy funds, EPRS, 2024.

[48] Opinion 02/2025, paragraph 34; special report 02/2023, paragraph 69; review 01/2023, paragraph 71.

### Figure 4 – Absorption rates per programme period and year




*Source:* ECA, based on Commission data.

**60** Absorption rates in cohesion policy are slightly lower in the first years of the 2021-2027 programme period than previous ones. This is due to the impact of RRF implementation (which finances similar investment types and has a shorter implementation period, ending in August 2026) and strained administrative capacity as national authorities often had to implement both instruments in parallel[49]. Some member states took measures to increase this capacity – for example by recruiting additional staff, providing operational support, and simplifying administrative procedures – but did not fully address the challenges[50]. In some cases, more mature projects previously planned under the cohesion policy funds were moved under the RRPs[51].

**61** The higher pre-financing rate under the RRF compared to the cohesion policy funds initially facilitated the disbursement of funds. Member states could request up to 13 % of their RRF allocations as an advance, whereas the 2021-2027 cohesion policy funds provide yearly instalments of 0.5 % of the total support. This initial pre-financing under the RRF, as a crisis response measure, helped most member states to accelerate

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[49] Review 01/2023, paragraphs 11, 22, 30, 45-47 and 53.

[50] Special report 13/2024, paragraphs VIII, 69-70 and 97.

[51] Special report 22/2024, paragraph 30 and Box 5; SWD(2024) 70, p. 63.

implementation by reducing pressure on national budgets until their first regular disbursements[52].

**62** Absorption rates in the RRF and cohesion policy are not directly comparable. Absorption of RRF funding reflects funds paid by the Commission to member states upon satisfactory fulfilment of milestones and targets – it does not refer to these funds having reached their final recipients and the real economy[53]. In a previous report, based on data received from 15 member states by October 2023, we found that only around half of the funds paid to member states had reached the final recipients[54].

## Increasing performance orientation

**63** There is a broad consensus on the need to maximise the effectiveness of public investments, and efficiency in the way they are implemented. However, designing an approach and accompanying systems to achieve this remains a challenge[55]. In cohesion policy, increasing the performance of spending has been a priority shared by the European Parliament, the Council and the Commission[56].

**64** The EU's Financial Regulation[57] provides that EU funding is implemented with a focus on performance. More specifically, in line with the Financial Regulation and according to our definition, performance is a measure of the extent to which an EU-funded action, project or programme has met its objectives and provides value for money[58]. In this context, a distinction has to be made between input, output, results and impact (***Figure 5***).

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[52] Review 01/2023, paragraphs 67-68; review 02/2025, paragraph 77.

[53] Review 02/2025, paragraph 89.

[54] *Ibid.*, paragraph 89.

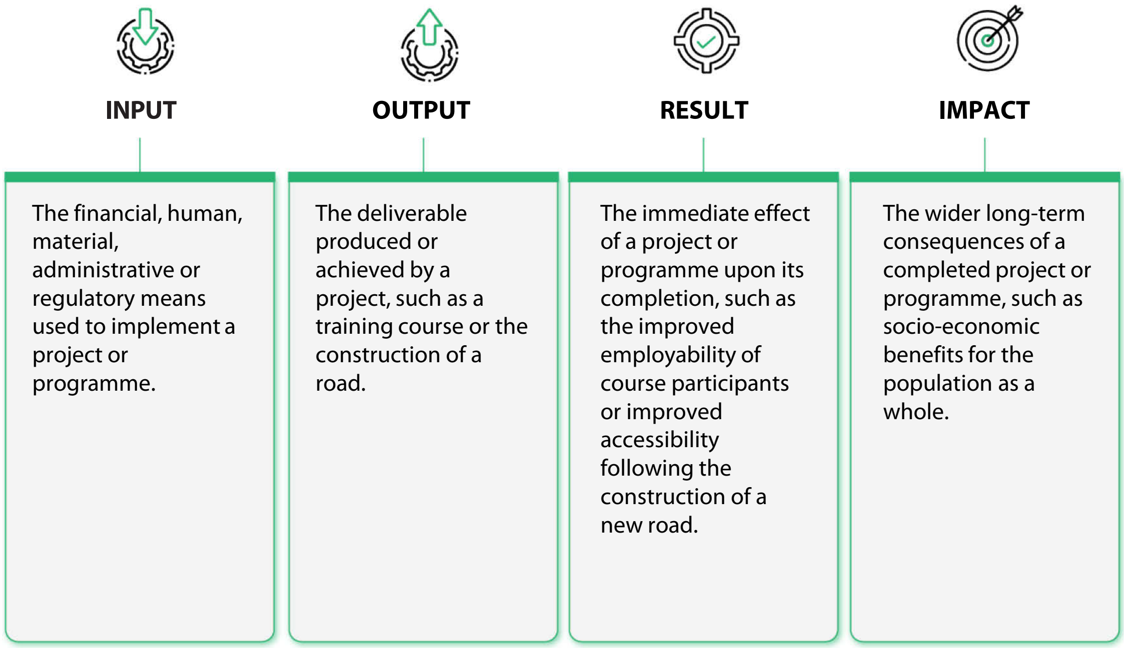
[55] Rethinking Regional Development Policy-making, OECD, 2018, chapter 5, pp. 106 and 114.

[56] Special report 24/2021, paragraph I.

[57] Articles 2(50) and (62), and 33 of Regulation (EU, Euratom) 2024/2509.

[58] Review 02/2025, paragraph 10.

### Figure 5 – Classification of input, output, result and impact




*Source:* ECA, based on special report 26/2023, Figure 3.

## Insufficient incentives for increasing the focus on performance in cohesion policy

**65** Over the last few programme periods, the legal bases for cohesion policy have gradually introduced procedural and financial mechanisms to incentivise a performance orientation and focus on results. In the 2014-2020 period, the regulation introduced three such mechanisms[59]:

— ‘*ex ante* conditionalities’, which are pre-requisites to creating an investment-friendly environment for effective cohesion spending from the start of the programmes;

— a mandatory performance reserve of 6 % of each member state’s total allocation, to be released to priority axes upon achievement of pre-defined milestones (discontinued for the 2021-2027 period); and

— the ‘financing-not-linked-to-costs’ model (FNLC).

[59] Articles 19, 20, 21 and 67(1)(e) of Regulation (EU) No 1303/2013; special report 24/2021, paragraphs II, 6 and 109-112.

**66** We concluded that, overall, these three mechanisms led to new approaches to implementation but did not make a noticeable difference to the way EU funding was allocated and disbursed[60].

**To some extent, cohesion policy already incentivises reforms in combination with investments**

**67** The European Semester is an annual exercise that coordinates the EU's economic and social policies. Based on member states' policy plans, the Commission proposes country-specific recommendations (CSRs) on how to respond to new and existing challenges. The CSRs are adopted by the Council.

**68** Since 2014, cohesion policy has been required to take into account the guidance provided in the European Semester process. For this purpose:

— the CPR sets out *ex ante* conditionalities[61] (2014-2020) and enabling conditions[62] (2021-2027); and

— the Commission provided investment guidance to each member state by identifying development needs and priorities for funding in the 2012 position papers for 2014-2020[63] and in the 2019 country reports for 2021-2027[64].

In turn, member states had to take into account the relevant CSRs in the preparation of the partnership agreements and programmes for both 2014-2020[65] and 2021-2027[66] cohesion policy funds. Specifically, the ESF+ requires member states to allocate an appropriate amount of their resources to addressing challenges identified in the relevant CSRs[67].

**69** *Ex ante* conditionalities were one of the main innovations for 2014-2020 cohesion policy. We reported that the Commission's assessment of these conditionalities was a

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60 Special report 24/2021, paragraphs IX and 107-109.

61 Article 19 of Regulation (EU) 1303/2013.

62 Articles 12(1) and 15 of Regulation (EU) 2021/1060.

63 Annex I, point 2.3 of Regulation (EU) 1303/2013; special report 02/2017, paragraph 9.

64 Review 01/2023, paragraph 15.

65 Articles 4(1), 15(1) and 19 of Regulation (EU) 1303/2013.

66 Articles 11(1), 15(2) and 22(3) of Regulation (EU) 2021/1060.

67 Articles 7(1) and (2), and 12 of Regulation (EU) 2021/1057.

one-off exercise, based on the criteria set out in the CPR. Most of them are broad, which left considerable room for interpretation. We also found limited evidence of the impact of *ex ante* conditionalities on the effectiveness of spending, and observed that failure to fulfil these conditionalities rarely had negative financial consequences for member states[68].

**70** A large portion of the 2014-2020 cohesion policy funds was, in theory, allocated to address fund-specific CSRs. However, the actual link between EU spending and CSR implementation was insufficient[69]. Studies also confirm that, although CSRs have been followed in the strategic choices set out in programmes, in practice the absence of clear incentives or sanctions has limited their influence on cohesion policy implementation on the ground[70].

**71** In the 2021-2027 programme period, enabling conditions replaced *ex ante* conditionalities. They are prerequisite conditions for the efficient and effective use of cohesion policy funds. Unlike the 2014-2020 *ex ante* conditionalities, they require fulfilment throughout the period – rather than just at the start – for member states and regions to be able to receive funds. This means the Commission does not reimburse expenditure unless it agrees that the relevant enabling condition has been fulfilled[71].

**72** The enabling conditions are defined in the CPR. Their fulfilment makes funding allocated to a specific objective available to the member states or regions. However, this alone does not trigger payments from the Commission. Member states still need to implement operations to qualify for reimbursements.

**73** Nevertheless, cohesion policy contributes to reforms in certain areas in the member states. For instance, according to the Commission, in the areas covered by the ESF(+), member states launched 293 reforms between 2014 and 2022, with the largest share implemented in education policy and the labour market. Of these reforms, 142 (48.6 %) benefited at least to some extent from ESF(+) funding. Overall, the

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[68] Special report 24/2021, paragraphs 16, 21-22, 26-34, 110, 114 and 116.

[69] Special report 16/2020, paragraphs 41-44 and 62.

[70] Corti, F., Pedralli, M. and Pancotti, C., "The Recovery and Resilience Facility: Key Innovations and the Interplay With Cohesion Policy" in ZEW: "The Future of EU Cohesion", p. 237.

[71] Article 15(6) of Regulation (EU) 2021/1060.

Commission assessed that around 9 % of CSRs in the ESF(+) areas of intervention achieved 'substantial progress' or 'full implementation'[72].

**74** Recently, the Commission's proposal to modify the ERDF/CF regulation in the context of the mid-term review further extends the scope of support for reforms. It introduces the possibility to finance activities that contribute to the implementation of reforms, including covering costs that are not directly linked to the implementation of investments. This represents a novelty for cohesion policy funds. However, we also noted that the proposal lacks a clear definition for reforms that can be supported under ERDF/CF, nor does it specify the types of actions or expenditure that will be considered eligible. As a result, the scope of support that would qualify as reforms remains unclear[73].

**Limited uptake of the financing-not-linked-to-costs model in cohesion policy**

**75** The potential of using performance-based funding models in cohesion policy has increased gradually. These provide a direct link between EU financial support and pre-defined results or conditions. The most notable example is the FNLC model (***Box 11***).

[72] Study supporting the Impact assessment of the future European Social Fund proposal, European Commission, 2025, pp. 10, 19 and 35-36.

[73] Opinion 02/2025, paragraph 22; article 1(1)(e) of COM(2025) 123.

## Box 11

### EU funding using the FNLC model

To help achieve the EU policy objectives and the results specified, in 2018 the Financial Regulation[74] introduced the option of providing EU funding in the form of FNLC. This is based on:

— the fulfilment of conditions; or

— the achievement of results measured by previously set milestones or using performance indicators.

In 2014-2020 cohesion policy, the FNLC model could be used from 2019 onwards for ERDF/CF investments in the areas of energy efficiency and energy from renewable sources, by informing the Commission.

**76** In 2014-2020, the FNLC model was only used for one ERDF pilot project with an EU contribution of around €36 million. We highlighted the following reasons for the limited uptake of the FNLC model during this period[75]:

— there is a considerable time lag before EU investment delivers results, and sometimes even outputs. This makes it difficult for managing authorities to identify suitable operations for the FNLC model;

— member states viewed the set-up of FNLC schemes as burdensome, complicated and time-consuming;

— we found that the arrangements for checking compliance with internal market rules when applying the FNLC model were not sufficiently clear. Member states still had to ensure that all EU spending complied with public procurement and state aid rules, while the legal basis only allowed the financing conditions to be verified[76].

[74] Article 125(1)(a) of Regulation (EU, Euratom) 2024/2509.

[75] Special report 24/2021, paragraphs 94-96, 99, 105-106, 108, 126, 128, recommendations 3(a) and 4(b).

[76] Article 67(1)(e) of Regulation (EU) 1303/2013; Annex – point 4(f) of Commission Delegated Regulation (EU) 2019/694.

**77** In 2021-2027, the FNLC model is an option for providing EU funding in any area of cohesion policy[77]. By March 2025, the Commission had approved 23 schemes under 15 ERDF and/or ESF+ programmes in 11 member states[78], totalling €6.8 billion.

**78** The CPR requires verifications and audits to check that the conditions for reimbursement have been fulfilled and that results have been achieved. The recitals indicate that the underlying costs linked to the implementation of the scheme should not be subject to any checks, although managing and audit authorities must still provide assurance to the Commission that expenditure included in the accounts complies with all applicable rules, including those on public procurement and state aid[79]. The Commission considers that it obtains reasonable assurance on compliance with all applicable rules through (i) its *ex ante* assessment of FNLC schemes; (ii) the member states' fulfilment of enabling conditions, including on public procurement and state aid; and (iii) member states' assessments of complaints concerning procurement and state aid.

**79** Other practitioners with experience in using performance-based models have also highlighted challenges in the operationalising such models, and the need to set realistic expectations. The World Bank[80] noted a general pattern of disappointment in those using such models, despite strong belief in the underlying logic, leading to a '*gap between promise and practice*'. Others[81] pointed out that such models should avoid distortive incentives, such as setting unambitious targets, prioritising short-term over long-term goals and addressing those needs that are the easiest to tackle. Moreover, the OECD[82] emphasises that effective implementation requires tools and methods for developing performance information, supportive IT systems, solid accountability mechanisms and clearly defined roles and responsibilities.

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77 Articles 37, 53(1)(f) and 95(1) of Regulation (EU) 2021/1060.

78 Estonia, France, Croatia, Italy, Cyprus, Lithuania, Hungary, Austria, Poland, Portugal, Romania.

79 Articles 69, 74 and 77 of Regulation (EU) 2021/1060.

80 Moynihan, D. and Beazley, I., Toward Next-Generation Performance Budgeting : Lessons from the Experiences of Seven Reforming Countries, World Bank, 2016.

81 Corti, F., Pedralli, M. and Pancotti, C., "The Recovery and Resilience Facility: Key Innovations and the Interplay With Cohesion Policy" in ZEW: "The Future of EU Cohesion", 2024, p. 246.

82 Good Practices for Performance Budgeting, OECD, 2019, p. 18; Performance budgeting, OECD, 20.03.2025.

## Weaknesses in monitoring and evaluation mean there is insufficient information on results

**80** Monitoring systems that track progress towards achieving objectives based on relevant and reliable performance data can provide useful information on results, as well as help improve future schemes. High quality *ex post* evaluations help assess the achievement of policy objectives.

**Monitoring systems do not provide sufficient information on performance at EU level**

**81** Cohesion policy has an extensive performance monitoring system consisting of programme-specific and common indicators measuring mainly outputs. In 2014-2020, operational programmes were monitored through around 9 000 different indicators. These were mostly programme-specific and could not be aggregated at EU level. Member states defined 7 880 programme-specific indicators in their cohesion programmes for 2021-2027.

**82** Monitoring based on common indicators makes it possible to measure the contribution of the cohesion policy funds to EU objectives and compare indicator values at programme level. However, the cohesion policy funds use a limited number of common indicators to measure the overall performance at EU level. Nevertheless, they increased from 87 for 2014-2020 to 234 for the 2021-2027 programme period.

**83** There is no explicit EU legal requirement to define performance indicators for selected operations. At project level, the achievement of results has an influence on the level of EU funding in very few cases only. For example, in our 2023 annual report[83] we identified two cases with no follow-up on the commitment to achieve performance targets included in grant agreements. Through our audits we have identified that project selection processes are not designed to focus on the potential contribution of proposed projects to programme objectives. Therefore, monitoring cannot take sufficient account of the contribution of projects to results and programme objectives, but focuses instead on outputs and spending. Overall, underperformance does not lead to financial sanctions[84].

**84** As part of the selection of operations in the 2021-2027 programme period, the CPR requires managing authorities to prioritise operations with a view to maximising

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[83] 2023 annual report, paragraphs 6.39-6.41 and recommendation 6.3.

[84] Review 08/2019 (Briefing paper), paragraphs 56, 65-66, 69, 101 and 103; special report 21/2018, paragraph 75 and recommendation 1.

their contribution to the programme objectives[85]. It is not yet clear whether, in practice, this provision contributes to the selection of the best performing projects.

**85** Our reports often highlight weaknesses in the monitoring systems, which make it difficult to measure progress and the contribution of cohesion funding to programme objectives. Weaknesses range from a lack of indicators (especially those measuring results) that report on the contribution to specific areas supported by cohesion policy funds, to a lack of targets, or inconsistent use of existing indicators (***Box 12***).

**Box 12**

**Examples of insufficient monitoring**

Indicators to monitor the circular economy only cover waste collection and processing, with no specific information on the circular design of products. Neither the Commission nor the authorities in the selected member states had information about the contribution made to the objectives of the Circular Economy Action Plan by the 1 000+ projects funded by the ERDF in relation to the circular economy[86].

The ESF regulation did not provide for a common result indicator concerning people in long-term unemployment, even though this area was a priority for ESF spending. Member states reported information on the results achieved through programme-specific indicators, where present. Two of the four OPs audited had no programme-specific result indicators to capture the results regarding participants (172 445 and 27 395, respectively)[87].

**86** The Joint Research Centre has also noted that suitable indicators and targets, supported by accurate data, are needed in order to assess performance reliably. It emphasised that ERDF programmes encountered significant challenges in setting realistic targets, with the vast majority undergoing frequent and significant revisions. It also highlighted the need to define indicators more rigorously and restrict modifications to clearly specified circumstances[88].

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[85] Article 73(1) of Regulation (EU) 2021/1060.

[86] Special report 17/2023, paragraphs II, 61-63.

[87] Special report 25/2021, paragraphs 63-71 and 78.

[88] Molica, F., Marques Santos, A. and Conte, A., Can a more performance-based setting bring additional efficiency to EU cohesion policy?, Joint Research Centre Working Papers on Territorial Modelling and Analysis No 12/2023.

**Evaluation results not available in time to inform legislative proposals**

**87** Evaluations in cohesion policy aim to assess the impact of the funds on the five policy objectives, and examine the effectiveness, efficiency, relevance, coherence and EU added value of each fund[89], following the Commission's 'evaluate first' principle[90].

**88** The Commission should have published the following two evaluations of cohesion policy funds – which are important for informing the post-2027 legal framework – by the end of 2024:

— the ex-post evaluation of the 2014-2020 programme period examining the effectiveness and efficiency of the funds and their contribution to the EU's strategy for smart, sustainable and inclusive growth[91]; and

— the mid-term evaluation for the 2021-2027 programme period covering the effectiveness, efficiency, relevance, coherence and EU added value of the funds[92].

Neither of these evaluations were published by the legally required deadline.

**89** Moreover, the quality of evaluation depends on data reliability and data availability. We have previously noted that the usefulness of evaluations is undermined when they are not based on sufficient reliable underlying evidence or good quality monitoring data[93]. Overall, the Commission's evaluation system is well-designed, in line with its Better Regulation guidelines. However, unavailability of data, partly due to the long-term nature of some investments but also to weaknesses in monitoring systems, is a major issue hindering effective evidence-based assessments[94].

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89 Articles 44 and 45 of Regulation (EU) 2021/1060.

90 SWD(2021) 305, chapter III, p. 24.

91 Article 57 of Regulation (EU) 1303/2013.

92 Article 45(1) of Regulation (EU) 2021/1060.

93 Review 08/2019 (Briefing paper), paragraphs 107 and 112-113.

94 Special report 16/2018, paragraphs 52-55, 83 and 91.

### Challenges in promoting performance orientation through the RRF model

**90** RRF payments to member states are conditional upon the satisfactory fulfilment of previously-agreed milestones and targets, measuring progress towards the completion of reforms and investments. We have concluded that, in itself, this does not make the RRF a performance-based instrument[95]. In fact, the focus is on implementation progress, as milestones and targets, as well as common indicators, are mainly output-oriented[96]. We also noted that the results in terms of addressing structural challenges through reforms and investments and the contribution to EU objectives are so far limited[97].

**91** Linking payments to milestones and targets, rather than to costs incurred, required new or adapted procedures. Still, risks to data reliability remain, especially at final recipient level[98].

**92** While the RRF marks the first time the FNLC model has been implemented on a large scale, we have noted a number of shortcomings in how it was applied. This includes a lack of focus on actual performance, as well as issues related to the accountability and transparency in the use of the funding. Consequently, despite the potential of performance-based funding, the RRF experience highlights the need for improvement in the way any future instruments use the FNLC model.

## Regularity of cohesion spending

**93** As the external auditor of the EU's finances, we are required by the TFEU to report every year on the implementation of the EU budget. Our annual report presents our statement of assurance as to whether the EU's accounts are reliable and whether the EU budget has been used in accordance with the applicable laws and regulations. For years, our statement of assurance work has shown that cohesion is the EU budgetary area with the highest error rate[99]. The spending mostly involves the

[95] Review 02/2025, paragraphs 10-14.

[96] Special report 26/2023, paragraphs 27, 35-36 and 48.

[97] Review 02/2025, paragraphs 91-102.

[98] Special report 26/2023, paragraphs VI, 57-63 and 98-99.

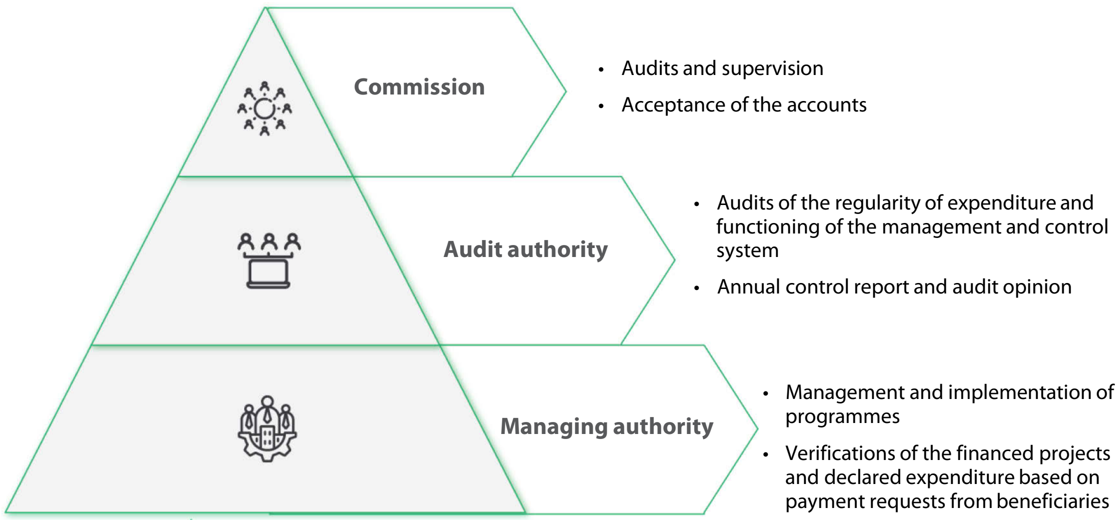
[99] 2023 annual report, paragraph 1.14; 2022 annual report, paragraph 1.14; 2021 annual report, paragraph 1.18; 2020 annual report, paragraph 1.17; 2019 annual report, paragraph 1.18; 2018 annual report, paragraph 1.29.

reimbursements of costs declared. Beneficiaries are required to submit claims for the costs they have incurred, together with supporting evidence. The costs involved and the corresponding actions must comply with often complex EU and national rules (such as eligibility, public procurement and state aid).

**94** In shared management, national and regional (member state) authorities provide the Commission with lists of the payments they have made which they consider eligible for financing by the EU. They also provide assurance on the regularity of these payments based on the work of the control systems they operate. The Commission then reimburses member states for this spending.

**95** The Commission's internal control of cohesion policy spending is subject to a 'single audit' approach. This consists of an assurance framework, in which each control layer (within member states and by the Commission) builds on checks done at the levels below, provided that this work is reliable. The purpose is to manage the risk of irregularity, while keeping the cost of checking EU spending to an acceptable level and minimising the administrative burden on auditees. ***Figure 6*** summarises key assurance and control processes for cohesion.

### Figure 6 – Internal control approach for cohesion spending




*Source:* ECA, based on Regulation (EU) 1303/2013.

## The assurance framework is still not fully effective

**96** The Commission should have assurance that management and control systems function effectively. However, the effectiveness of the assurance framework depends on the capabilities of authorities and bodies involved in member states' management and control systems. In exercising its overall responsibility for the legality and regularity of EU spending, the Commission is therefore, to a large extent, dependent on the effective functioning of member state authorities[100]. Through its supervisory role, the Commission needs to ensure that EU funds are used in accordance with applicable rules[101].

**97** We concluded that the levels of error we found and reported for the 2007-2013 programme period were significantly lower than in the previous period[102]. Our recent multiannual analysis[103] shows that the levels of error for 2014-2020 were lower than for 2007-2013, but remained above the 2 % threshold set by the rules[104]. This indicates that the assurance framework is not yet fully effective. For the past two years the error rate that we estimate has been significantly above the 2 % threshold. In our annual reports[105] we noted that several factors put additional pressure on member state administrations and increased the risk regarding their capacity to ensure that spending was regular. These factors included the significant additional REACT-EU resources being made available and the end of the 2014-2020 eligibility period. ***Figure 7*** shows ECA error estimates for cohesion spending since 2010.

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[100] Review 03/2024, paragraph 9.

[101] Article 63(8) of Regulation (EU, Euratom) 2024/2509.

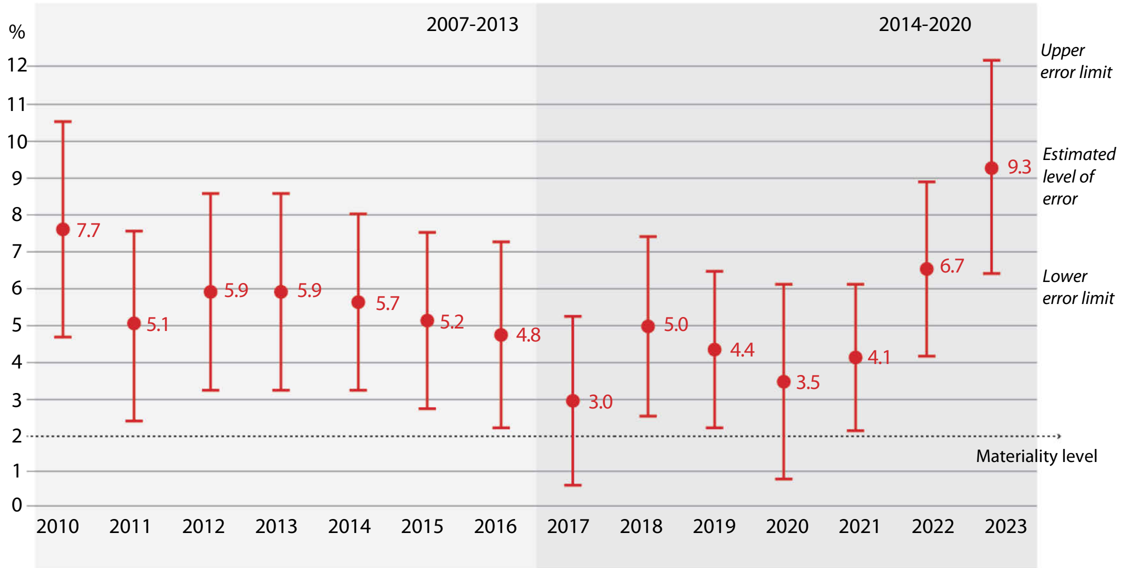
[102] Special report 17/2018, paragraphs 80-81.

[103] Review 03/2024, paragraphs 30-33.

[104] Article 28(11) of Commission Delegated Regulation (EC) 480/2014.

[105] 2023 annual report, paragraph 6.17, 2022 annual report, paragraph 6.17.

### Figure 7 – ECA error estimates for cohesion spending 2010-2023




*Source:* ECA.

**98** Managing authorities' verifications of applications for EU funding play a key role in trying to ensure the regularity of cohesion spending. Our audit findings (***Box 13***) – along with the results of checks by the audit authorities' and the Commission – demonstrate that, overall, managing authorities are not yet sufficiently effective in mitigating the high inherent risk of error in cohesion spending. A large share of the errors we find could and should have been detected and corrected by them. We have therefore highlighted these weaknesses in the first level checks, and a need for the Commission and member states pay more attention to the effectiveness of managing authority verifications[106].

[106] Review 03/2024, paragraphs 48-49 and 152.

**Box 13**

**Typical errors detected by the ECA**

Our multiannual analysis (review 03/2024) shows that we repeatedly find errors in the payments. They remain undetected at member state level, despite the administrative and control checks on them. We analysed our 2018-2022 audit results in terms of error type and cause. Typical errors include ineligible expenditure and projects, and non-compliance with state aid and public procurement rules. These errors made up the largest share of our estimated level of error[107].

**99** Over the years, we have also found various types of weaknesses with differing severity in the work of audit authorities. For example, their checks do not sufficiently cover important aspects such as fraud, conflict of interest and state aid. There are weaknesses in checks on project selection and eligibility criteria. Most of the errors we find could have been detected by the audit authorities' checks on the same transactions. This reduces the extent to which the Commission can rely on the results of their work[108]. We have recommended that the audit authorities make improvements to the way they plan, carry out and document their audit work.

**100** The Commission reviews the audit results reported by audit authorities through desk reviews, and also carries out risk-based compliance audits. We have concluded that the Commission's compliance audits are the most effective element in detecting irregularities not found by the preceding checks. However, the Commission could achieve a greater impact by increasing the number of these audits (currently around 40 per year) to better cover the multitude of authorities involved[109].

**101** We have concluded that there is a need for further improvement in the way the assurance framework is implemented by both member state authorities and the Commission. Both the Commission and member states should pay more attention to ensuring that managing and audit authorities' controls are effective. Challenges for the Commission include clarifying aspects for which the legal basis is not sufficiently clear

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[107] *Ibid.*, paragraphs 71 and 83.

[108] *Ibid.*, paragraphs 56 and 59.

[109] *Ibid.*, paragraphs VI, 67-68 and 154.

(for example, by proposing to change the rules), and to convince member states to refrain from adding national rules that are more demanding than EU legislation[110].

## Both the cohesion assurance and RRF compliance frameworks show weaknesses

**102** Cohesion funding is based primarily on the reimbursement of the costs incurred by the projects being supported. Under the RRF the approach is different: the Commission disburses funds to member states for the satisfactory fulfilment of milestones and targets based on outputs achieved, but compliance of expenditure incurred by final recipients and implementing bodies with EU and national rules is not a condition for member states to receive RRF payments. Member states are required to operate effective control systems, which are verified by the Commission. We found that the Commission improved its audits on member state control systems, but it was still not able to provide sufficient assurance on their effective operation. Moreover, we found that the Commission cannot make corrections for individual breaches of public procurement rules, except in cases of serious irregularities (such as fraud, corruption and conflict of interest), which have not been corrected by member states. This means that the RRF payments can be made in full, even when public procurement irregularities have occurred[111].

**103** Since the RRF delivery model (including conditions for payment) differs from the cohesion model, our audits of the regularity of funds, and consequently audit results we produce, are not directly comparable. However, we have identified weaknesses in member state control systems for both the cohesion policy funds and the RRF.

**104** Our review report on the lessons to be learnt from the RRF highlighted that the RRF compliance framework, and rules for the protection of the EU's financial interests are not sufficiently robust. The report pointed out that it is essential for future instruments not to be designed and implemented in a way that is detrimental to accountability and transparency. Such risks can be mitigated if, among other things: (i) member states have appropriate control systems in place before implementation starts; (ii) the conditions for member states to receive payments include compliance with the EU and national rules; and (iii) corrective measures for breaches of EU and

[110] *Ibid.*, paragraphs 149-150, 152-153 and 157.

[111] Review 02/2025, paragraphs 58-62 and 72.

national rules are defined by the Commission and applied consistently to all member states[112].

This review was adopted by the Court of Auditors in Luxembourg at its meeting of 12 June 2025.

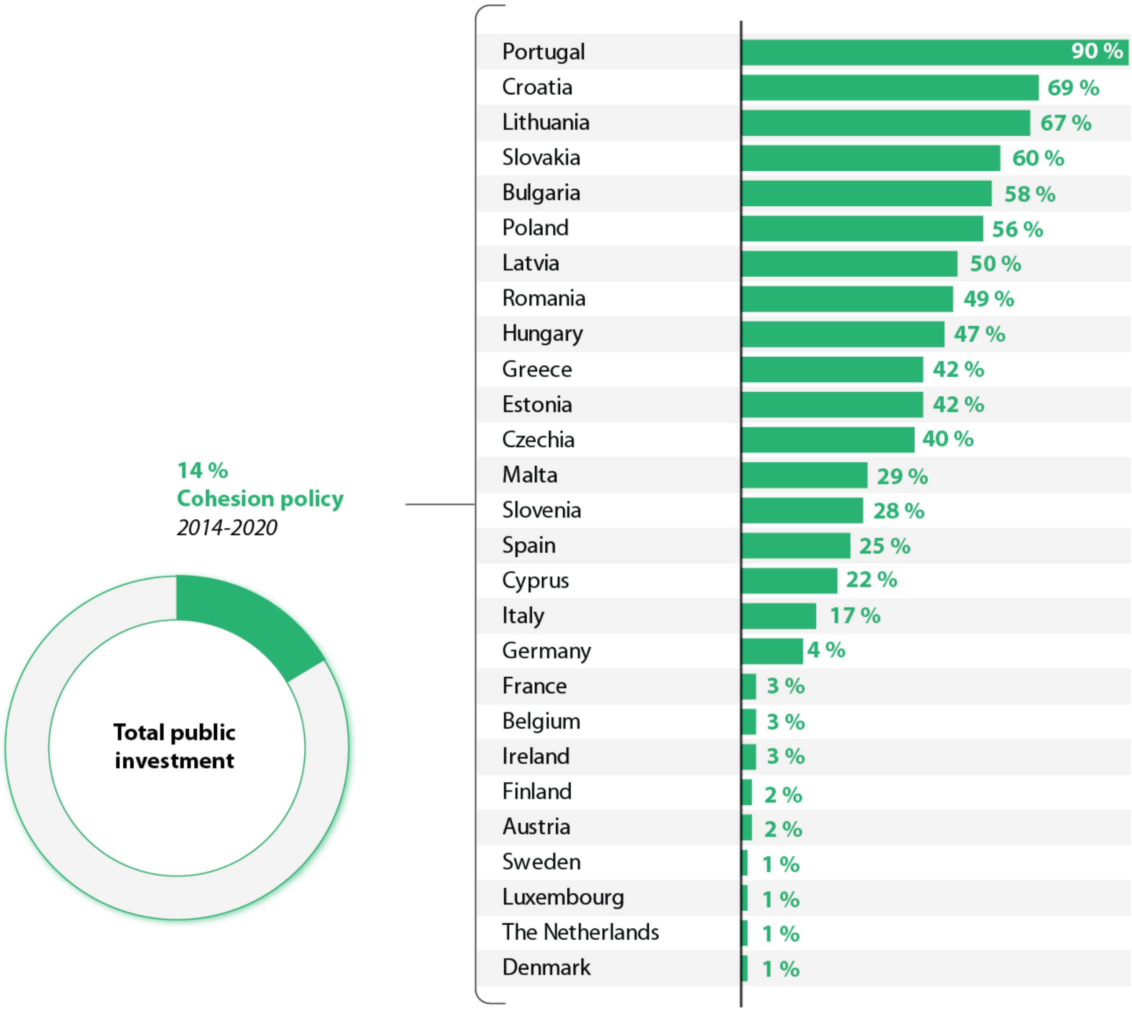
*For the Court of Auditors*

Tony Murphy
*President*

[112] Review 02/2025, paragraphs 15-19.

# Annexes

## Annex I – Share of cohesion policy as a percentage of public investment per member state (2014-2020)




*Source:* ECA, based on Commission data.

# Annex II – The impact of cohesion policy on reducing disparities

01 This annex provides an overview of the discussion on how cohesion policy has contributed to regional growth and economic convergence, and to addressing social and economic inequalities across the EU. We have reviewed Commission, European Parliament, OECD analyses, academic research, and macro-economic modelling tools. The annex closes by introducing the main factors impacting the effectiveness of cohesion policy.

## Contribution to reducing economic disparities

02 Over the last 30 years, the impact of cohesion policy has elicited substantial academic and policy discussion. Various conceptual and analytical approaches have been used in the literature, resulting in a variety of findings that illustrate the lack of a clear consensus on the policy's overall effectiveness. While macroeconomic simulations generally point to positive effects, their outcomes depend on the assumptions used. At the same time, empirical analyses have produced mixed results, while acknowledging the difficulties in measuring impact. However, many highlight the policy's potential to generate significant benefits, provided that the conditions for effective implementation are in place[1].

03 In relation to the GDP growth in the EU, the Commission reports that, overall, cohesion policy has had a positive impact over the last two decades. The strongest increases were seen in some of the previously less-developed regions, particularly those in member states that joined the EU after 2004. Conversely, several southern regions experienced periods of negative GDP growth, particularly since the 2008 financial crisis, though this trend has recently reversed[2].

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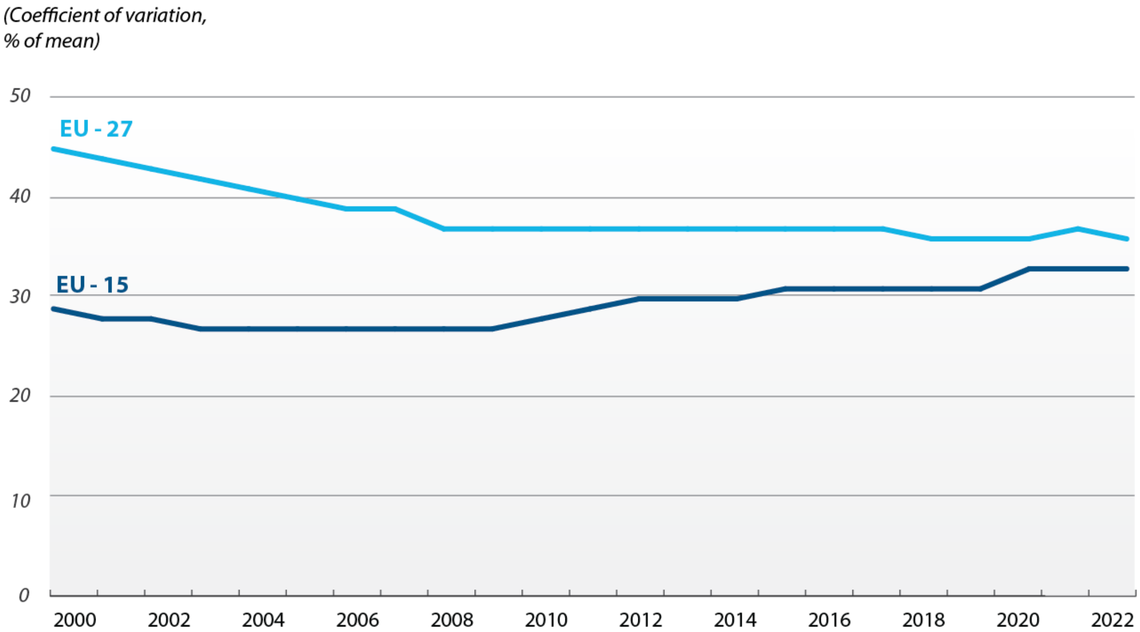
[1] Crescenzi, R. and Giua, M., Different approaches to the analysis of EU Cohesion Policy, 2016, pp. 21-23; Darvas, Z. et al., European Union cohesion project characteristics and regional economic growth, Bruegel Working Paper, 2021, pp. 2-3; Darvas, Z. et al., Effectiveness of cohesion policy, EP Policy Department on Budgetary Affairs, 2019, p. 9 and p. 24-26; Amendolagine, V. et al., The impact of European Cohesion Policy: a spatial perspective, Journal of Economic Geography, Vol. 24, No. 4, 2024; Crucitti, F. et al, The Impact of the 2014-2020 European Structural Funds on territorial cohesion, Regional Studies, Vol. 58, No. 8, 2024.

[2] SWD(2024) 79, pp. 3 and 12; Ninth cohesion report, pp. 2-5.

**04** Economic convergence across the EU's regions has been uneven. One key indicator used to assess how widely GDP per capita varies between regions is the 'coefficient of variation'. A decrease indicates a reduction in disparities (convergence), while an increase points to growing disparities. Between 2000 and 2022, this indicator showed that regional disparities in GDP per capita declined significantly across the EU-27, but slightly increased in the EU-15 after 2009 (***Figure 1***). This overall improvement was therefore largely driven by upward convergence in eastern regions[3].

### Figure 1 – Regional disparities for the EU-27 and EU-15 in GDP per capita (PPS)




*Notes:* PPS = Purchasing power standard. Regional disparities are measured at the level of NUTS-2 regions.

*Source:* ECA, based on the Commission data.

**05** The economic convergence patterns reflect diverse national dynamics. For instance, stronger growth in capital regions of eastern member states often increases disparities in those countries. In Portugal, regional convergence stemmed from past slower growth in previously high-performing regions. While in France, widening regional disparities were linked to slower growth in GDP per capita in regions that initially had lower GDP[4].

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3 Ninth cohesion report, pp. 5-12.

4 *Ibid.*, p. 9.

**06** The Commission expects cohesion policy to continue to have an enduring positive economic effect overall. Based on the RHOMOLO model, EU GDP could potentially be 0.9 % higher by 2030 and a further 0.6 % higher by 2043 due to cohesion investments made during 2014-2020 and 2021-2027. This positive impact on GDP is expected to be particularly beneficial to those countries that receive higher amounts of cohesion funding, but also to more developed countries through increased economic activity due to higher exports[5].

## Addressing social and economic inequalities at regional level

**07** Less-competitive regions can hold significant untapped economic potential. However, when these regions face long-term stagnation, structural obstacles make it harder for them to recover economically, create jobs or improve living standards. If not addressed, disparities limit social and economic prospects. Over time, this lack of progress can become a cycle of stagnation (known as a development trap), characterised by weak productivity and job creation, and insufficient innovation capacity. Moreover, such regions may develop an unsustainable dependency on national and EU funding[6].

**08** Development traps can affect not only the less-developed regions, but also wealthier areas that struggle to maintain competitiveness and growth. They are particularly prevalent in rural and industrial areas. While investments in cities have boosted their economic development, they have also increased intra-regional disparities by leaving other areas of the region further behind. Experience indicates that central and eastern European regions have mostly avoided development traps. However, as they transition to a middle-income level, their economic growth risks slowing down, thereby increasing the danger of falling into a development trap[7].

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[5] *Ibid.*, 2024, p. XVIII.

[6] Forging a sustainable future together, Cohesion for a competitive and inclusive Europe, Report of the High-level Group on the Future of Cohesion Policy, 2024, pp. 7-8, 13 and 25; Diemer, A. et al., The Regional Development Trap in Europe, Economic Geography, Vol. 98, No. 5, 2022; Promoting Growth in All Regions, OECD, 2012, pp. 15-16, 19 and 43.

[7] Forging a sustainable future together, Cohesion for a competitive and inclusive Europe, p. 13; Diemer, A. et al., The Regional Development Trap in Europe; Filippetti, A. and Spallone, R., Chapter 9. Cohesion Policy for Escaping the Middle-Income Trap, 2023.

**09** Cohesion policy is also impacted by current major transformations, including the green and digital transitions, demographic change, crises such as Russia's war of aggression in Ukraine, and growing global uncertainties, such as trade tensions, competitiveness challenges and geopolitical pressures. As these issues do not affect all regions equally, existing studies underline the importance of avoiding the deepening of inequalities[8].

## Conditions influencing the impact of cohesion policy

**10** There is growing recognition that the outcome of regional policy largely depends on the conditions under which it is implemented, including the quality of national and regional institutions, the type of human capital available in the region, and other territorial resources. These factors can influence the effectiveness of cohesion funding and may help explain the variation in cohesion policy outcomes between different regions and member states[9].

**11** Among the factors that influence the effectiveness of cohesion funding, **institutional quality** – how well national and regional administration and governance work – is an important determinant for success. Regions with effective public institutions are better at using EU funds, complying with regulatory requirements, and achieving their development goals[10]. Moreover, respect for the rule of law by

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[8] The future of EU cohesion: Scenarios and their impacts on regional inequalities - Cost of non-Europe, EPRS, 2024, pp. 1-5, 19; McCann, P. and Ortega-Argilés, R., EU Cohesion Policy: The past, the present and the future, 2021, pp. 21-23.

[9] Fratesi, U. and Wishlade, F., The impact of European Cohesion Policy in different contexts, Regional Studies, Vol. 51, No. 6, 2017, p. 819; Di Caro, P. and Fratesi, U., One policy, different effects: Estimating the region-specific impacts of EU cohesion policy, 2021, p. 309; Fratesi, U., Constraining and Enabling Factors of a Successful Regional Policy in Europe, ZEW Discussion Papers, No. 24-048, 2024, p. 2.

[10] Mendez, C. and Bachtler, J. The quality of government and administrative performance explaining Cohesion Policy compliance, absorption and achievements across EU regions, 2024, pp. 696, 698; Becker et al., Absorptive Capacity and the Growth and Investment Effects of Regional Transfers: A Regression Discontinuity Design with Heterogeneous Treatment Effects, 2012, pp. 2-3.

accountable and transparent public institutions is fundamental to achieving effective and efficient policy implementation[11].

**12** **Human capital** (measured as the share of the workforce with at least upper-secondary education) is another key factor for cohesion policy funding to be successful. In less-developed areas, improving human capital is considered crucial for achieving growth[12].

**13** **Territorial capital** – the broader set of public and private assets available to a region – also influences how effectively cohesion policy delivers results. These assets range from infrastructure to local networks and innovation ecosystems. Research shows that cohesion investments in infrastructure work best when regions have strong 'soft' assets, such as knowledge, social capital, and institutional quality[13].

**14** In addition to regional characteristics, the way cohesion policy is coordinated across the EU and levels of national and regional government influences how effectively it delivers results. In a multi-level governance system, good **coordination** is essential[14].

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[11] Rodríguez-Pose, A. and Garcilazo, E., Quality of Government and the Returns of Investment: Examining the Impact of Cohesion Expenditure in European Regions, Regional Studies, Vol. 49, No. 8, 2015, pp. 1276-1277; Kölling, M., The role of (rule of law) conditionality in MFF 2021-2027 and Next Generation EU, or the stressed budget, Journal of Contemporary European Studies, 2022, pp. 7, 10, 12.

[12] Di Caro, P. and Fratesi, U., One policy, different effects: Estimating the region-specific impacts of EU cohesion policy, 2021, p. 319; Rodríguez-Pose, A. and Ketterer, T., Institutional change and the development of lagging regions in Europe, 2020.

[13] Camagni, R. Chapter 7: Territorial capital and regional development: theoretical insights and appropriate policies 2019; Fratesi, U. and Perucca, G. EU regional development policy and territorial capital: A systemic approach, Papers in Regional Science, Vol. 98, Issue 1, 2019.

[14] Regional Governance in OECD Countries, OECD, 2022, p. 74; Bachtler, J. et al., Chapter 2: Understanding EU Cohesion Policy, 2013, pp. 11-12.

# Abbreviations

**CARE:** Cohesion’s Action for Refugees in Europe

**CF:** Cohesion Fund

**CPR:** Common Provisions Regulation

**CRII:** Coronavirus Response Investment Initiative

**CSRs:** Country-specific recommendations

**EPRS:** European Parliament Research Service

**ERDF:** European Regional Development Fund

**ESF:** European Social Fund

**ESF+:** European Social Fund Plus

**FNLC:** Financing-not-linked-to-costs

**GDP:** Gross domestic product

**OECD:** Organisation for Economic Co-operation and Development

**RHOMOLO:** Regional Holistic Model

**RRF:** Recovery and Resilience Facility

**RRP:** Recovery and resilience plan

**SCO:** Simplified cost option

**TFEU:** Treaty on the Functioning of the European Union

# Glossary

**Absorption:** Extent, often expressed as a percentage, to which EU funds allocated to member states have been spent on eligible projects. In the context of the Recovery and Resilience Facility, extent to which member states have received RRF funding from the Commission for the satisfactory fulfilment of milestones and targets.

**Cohesion Fund:** EU fund for reducing economic and social disparities in the EU by funding investments in member states where the gross national income per inhabitant is less than 90 % of the EU average.

**Cohesion policy:** EU policy which aims to reduce economic and social disparities between regions and member states by promoting job creation, business competitiveness, economic growth, sustainable development, and cross-border and interregional cooperation.

**Common Provisions Regulation:** Regulation setting out the rules that apply to a number of EU funds under shared management, including those supporting the EU's cohesion policy.

**Convergence:** Process by which lower-income economies catch up with higher-income economies over time.

**Country-specific recommendations:** Annual guidance which the Commission issues, as part of the European Semester, to individual member states on their macroeconomic, budgetary and structural policies.

**'Do no significant harm':** Principle that investment measures should have no major detrimental environmental impact.

**European Regional Development Fund:** EU fund that strengthens economic and social cohesion in the EU by financing investments that reduce imbalances between regions.

**European Social Fund:** EU fund for creating educational and employment opportunities and improving the situation of people at risk poverty. Superseded by the European Social Fund Plus.

**Gross domestic product:** Standard measure of a country's wealth, based on the total value of goods and services produced there (usually during one year).

**Managing authority:** National, regional or local authority (public or private) designated by a member state to manage an EU-funded programme.

**Partnership principle:** The principle in cohesion policy ensuring that regional, local, urban and other public authorities, civil society, economic and social partners and, where appropriate, research organisations and universities are meaningfully involved in the preparation, implementation and evaluation of programmes.

**REACT-EU:** NextGenerationEU programme that provides additional funding for existing cohesion policy and Fund for European Aid to the most Deprived programmes to support post-COVID-19 crisis recovery while promoting green and digital transformation.

**Recovery and Resilience Facility:** The EU's financial support mechanism to mitigate the economic and social impact of the COVID-19 pandemic and stimulate recovery, and meet the challenges of a greener and more digital future.

**RHOMOLO:** Economic simulation tool developed by the Commission and mainly used to evaluate the impact of EU cohesion policy, including the effects of regional investments and structural reforms.

**Simplified cost option:** Approach for determining a grant amount using methods such as standard unit costs, flat-rate financing or lump sums rather than the actual costs incurred by the beneficiary. Designed to reduce the administrative burden.

# ECA team

This report was adopted by Chamber II – Investment for cohesion, growth and inclusion, headed by ECA Member Annemie Turtelboom. The task was led by ECA Member Alejandro Blanco Fernández, supported by Călin-Ion Chira, Head of Private Office and Juan Antonio Vazquez Rivera, Private Office Attaché; Friedemann Zippel, Principal Manager; Päivi Piki, Head of Task; Marion Boulard, Sabine Maur-Helmes, Amelia Pădurariu and Plamen Petrov, Auditors. Alexandra Damir-Bînzaru provided graphical support.

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**This review provides ideas to contribute to the ongoing discussion on the next cohesion policy period starting in 2028. It brings together results from our published audits, reviews and opinions on different aspects of the implementation of cohesion policy. It compares these findings with our main conclusions on the Recovery and Resilience Facility, where relevant.**

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