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Developments of Cohesion Policy

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Introduction

Cohesion Policy is the European Union's main investment policy to promote balanced development and reduce economic, social and territorial disparities between its regions. It represents a core expression of the solidarity principle, concentrating a large share of the EU budget—almost one third in the 2021–2027 period, or around EUR 380 billion—on supporting jobs, competitiveness, sustainable development and better living conditions, especially in less developed areas.

Given its crucial role in the EU context, a lot of attention is paid to it, especially to check if the money is well spent and produces the expected results.

Since Europe faces evolving challenges, from climate change and digitalisation to geopolitical shocks and social pressures, adjustments are needed to update Cohesion Policy priorities.

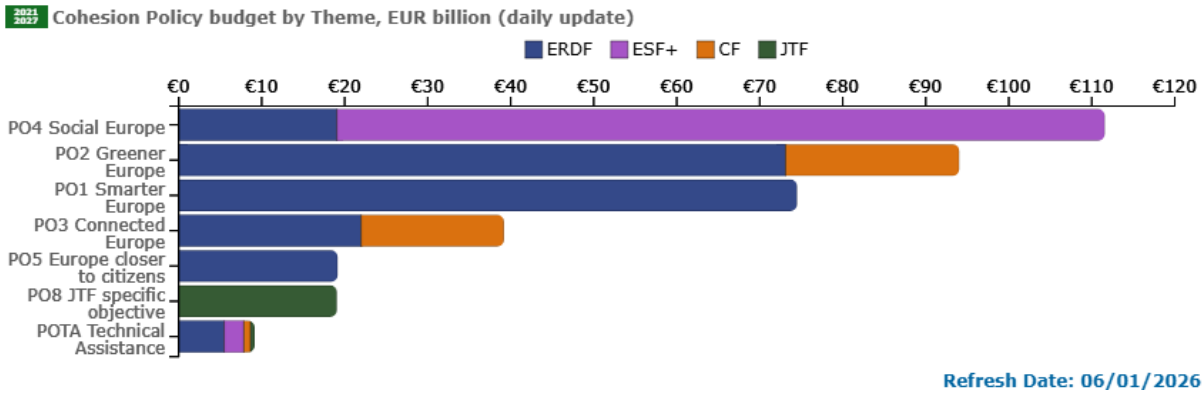
This implies channelling funding where it is most needed and simplifying rules, so that investments can continue delivering long-term regional development while helping the EU respond to new challenges and achieve strategic goals.

Five objectives for the 2021–2027 Cohesion Policy

The Cohesion Policy framework for the 2021–2027 programming period was designed and adopted in the period between 2019-2021, around five broad policy objectives, named as follows:

- a more competitive and smarter Europe (PO 1)
- a greener, low carbon transitioning towards a net zero carbon economy (PO 2)
- a more connected Europe by enhancing mobility (PO 3)
- a more social and inclusive Europe (PO 4)
- a Europe closer to citizens by fostering the sustainable and integrated development of all types of territories (PO 5).

A total of around EUR 367 billion of EU financial resources were planned to fund measures under the five policy objectives through national and regional programmes, financed by the European Regional Development Fund (ERDF), European Social Fund Plus (ESF+), Cohesion Fund (CF) and Just Transition Fund (JTF). PO 4 on social inclusion, employment and education, is the one planned to receive most of the financial allocations (over EUR 111 billion, mainly from the ESF+), followed by PO 2 on a greener Europe (EUR 94 billion, mainly from the ERDF) and PO 1 on innovation and competitiveness of the economy (EUR 75 billion, only funded by the ERDF).



Source: DG REGIO, Cohesion Open Data.

Additional EUR 10 billion were allocated to Interreg- European Territorial Cooperation, to finance crossborder, transnational, interregional and outermost cooperation programmes in the 27 EU Member States. The Cohesion Policy framework largely embraced the European Green Deal launched in 2019 to promote a more sustainable economy and aimed at cutting emissions by at least 50% by 2030, while legally binding the 2050 neutrality goal through the European Climate Law. It also backed the EU digital transition, based on the improvement of digital skills of the EU population, digital infrastructures, digital transformation of businesses and the digitalisation of public services.

Geopolitical challenges, climate and societal issues burst into after 2022

From 2022 onwards, several strategic challenges emerged in relation to the economic, societal and geopolitical context, which pushed Cohesion Policy to adapt and reorient its framework and policy objectives. These challenges include:

- Geopolitical shocks: Russia's ongoing aggression against Ukraine, heightened security concerns, and the need to strengthen the EU defence capacity and the Eastern border regions.
- Competitiveness and strategic challenges concerned with economic autonomy and security, pointed out by the 2024 "Future of European Competitiveness" report. But also the emergence of the Strategic Technologies for Europe Platform (STEP) as a key vehicle to ensure capacity for critical technologies such as clean tech, biotech and deep tech.
- Intensified water stress and dramatic climate-related events (such as Valencia's flood in 2024), prompting an EU Water Resilience Strategy and calls for more investment in sustainable water management and resilience.
- A worsening crisis of housing affordability, with house prices up by about 53% between 2010 and 2024—remarkably more than the general price level increase over the same period—and a growing share of low-income households spending over 40% of their income on housing.

Cohesion Policy developments to respond to challenges

The evolution in the political and socioeconomic context prompted the Commission to carry out a mid-term review of the objectives and implementation of 2021-2027 Cohesion Policy, which led to the adoption, in September 2025, of amendments to the ERDF and JTF regulations (Regulations (EU) 2021/1058 and (EU) 2021/1056), to align Cohesion Policy investments to new priorities at the EU level. These are: defence and security, competitiveness and decarbonisation of industry, affordable housing, water resilience and

sustainable water management, and energy transition. In particular, the amendments to the regulations aim at reorienting a significant share of cohesion resources towards the new priorities, encouraging Member States to reprogramme at least around 15% of their remaining allocations. To accelerate implementation, the reform introduces additional pre-financing (funds granted at the start of a project) and allows 100% EU co-financing for investments dedicated to the new objectives, temporarily removing national co-financing requirements. The main priorities of the mid-term review are briefly presented below.

A competitive and decarbonised industry

The EU shows a persistent investment gap with its global competitors, for example in terms of commercialisation of research results, collaboration between the industry and the academia, and access of innovative companies to procurements and infrastructures. For this reason, a European Innovation Act is expected to be proposed in 2026. This will aim to create a more innovation-friendly regulatory and policy environment across the EU, to give European innovators the tools they need to grow and scale within the EU and to compete globally. From the Cohesion Policy point of view, the Commission proposes to extend the support of the ERDF to large companies in critical areas (e.g., industrial decarbonisation, defence capabilities, STEP technologies), given their role in steering innovation, knowledge and technology transfer. This is surely a major change in the orientation of Cohesion Policy, which was traditionally targeted to a very large extent at small and medium companies, with large companies playing a minor role. In sum, the new regulation urges Member States to increase support for breakthrough and clean technologies, strengthen digital capacities, support the scale-up of innovative SMEs, and simplify financing for strategic EU-level projects, especially in the area of innovation, environment and health. Human capital is also concerned by the mid-term reform: a Skills Guarantee pilot, financed by the ESF+, is planned to support reskilling and job adaptation linked to industrial change, for workers affected by restructuring, to help them transition to new roles or sectors.

Stronger defence and security of EU borders

Financing of the defence sector was not included among the objectives for 2021–2027 Cohesion Policy, the support for defence-related activities being limited and indirect. The new regulation introduces:

- Two new specific objectives: one under policy objective 1 for productive investment in enterprises of any size in the defence-sector, and another under policy objective 3 for resilient defence or dual-use infrastructure, in particular for military mobility.
- Additional one-off pre-financing of 30% and 100% EU co-financing for investments in defence priorities, to incentivise rapid reprogramming and uptake.

To address possible skills gaps in the defence sector, the Union of Skills initiative will enhance upskilling and reskilling efforts, also through a large-scale partnership which has been set up between the actors involved in the sector. Additionally, the Commission plans to propose the inclusion of the defence sector under the STEP Regulation, which could benefit from existing EU programmes like Horizon Europe and Digital Europe. In the future, it will be interesting to verify the intensity of investments allocated to the defence sector, as its eligibility for funding under Cohesion Policy has raised questions over the possibility that it complements or replaces the typical regional development priorities and long-term objectives. This might be true for Eastern border regions in particular, where defence and security-related investments might represent a more visible percentage of total regional envelopes, given their stronger exposure to the war's consequences and geopolitical risks.

More affordable housing for EU citizens

Despite not being explicitly included among the objectives pursued by Cohesion Policy in 2021-2027, housing is, nevertheless, a policy area that received financing under the current programming period. The EU budget support to housing for the 2021-2027 period is estimated to be EUR 7.5 billion, especially to contribute to energy efficiency and housing infrastructure. The dramatic increase in house prices (+53% on average) and rents (+25%) in the EU between 2010 and 2024, led to the emergence of a serious housing problem in Europe, as household income did not increase enough to counterbalance the rise in housing costs. Therefore, the Commission has planned a new approach to tackle the housing affordability crisis by:

- Creating three additional new specific objectives relating to affordable housing, to allow reprogramming of Cohesion Policy resources towards this priority area.
- Granting 30% additional pre-financing in 2026 for investments in the housing sector and allowing 100% EU co-financing rate for such investments.
- Encouraging Member States to double funding dedicated to affordable housing in the 2021-2027 programming period.
- Promoting the use of the New European Bauhaus framework to ensure that new housing investments are sustainable, climate-resilient and of high design quality.

The recognition of the extent of the housing crisis and the need for support was welcomed by local and regional leaders, though they also warned that shifting resources within Cohesion Policy alone is not enough to solve the problem. Alongside cohesion funds, other resources and financing tools are needed and should primarily focus on boosting housing supply, according to the Committee of Regions, to maintain the Cohesion Policy's primary focus on the reduction of economic, social and territorial inequalities and avoid distortions in funding allocations.

Environmental aspects are still important for Cohesion Policy

Cohesion Policy contributes to the EU's climate-related investment effort to a large extent, as the Common Provision Regulation (CPR) for the 2021–2027 period requires that at least 30% of total ERDF resources and 37% of the CF resources must support climate objectives. In particular, funding for energy efficiency, renewable energy, smart grids and clean transport infrastructure already accounts for a sizable share in many programmes. The mid-term review strengthens the focus on energy security by including a specific objective which promotes the implementation of energy interconnectors and transmission infrastructure, and the deployment of recharging infrastructure. Reprogramming of resources towards this priority area will benefit from a 30% pre-financing rate in 2026 and an overall EU co-financing rate of 100%. The purpose is to ensure the existence of diversified and cleaner energy sources and reduce the fragmentation of the internal energy market.

Water is another fundamental element to ensure sustainable development. In this respect, climate change seems likely to cause more frequent unfavourable events: on the one hand, water scarcity conditions affected 28% of the EU land area and 32% of the EU population in 2023; on the other hand, sudden floods are also causing serious problems to EU territories too. Around EUR 13 billion were already allocated to this priority area in the 2021-2027 programming period. The mid-term review puts more emphasis on the need to guarantee water quality and quantity and encourages reprogramming towards this policy area.

Key developments for environmental-related policies include:

- Extended ERDF support to decarbonisation projects, especially those selected under the Innovation Fund established by the Emissions Trading System.
- Increased support for clean technology, the modernisation of electricity grids, interconnectors, energy storage facilities and energy communities.

- Strengthened alignment of water resilience investments under Cohesion Policy with the EU Water Resilience Strategy and the broader Preparedness Union Strategy, including proactive, risk-based management rather than reactive responses to crisis.
- Orientation of investments towards restoration of water bodies, nature-based solutions to reduce flood risks, improved water efficiency and reuse, digitisation of the water infrastructure, and mitigation of droughts and impacts of desertification.

Flexibility and simplification of the governance framework

To support the reforms planned, the European Commission proposes in parallel to strengthen the simplification of the regulatory framework for the implementation of Cohesion Policy measures, in particular for the reprogramming of resources towards the new priority areas. To this aim, the new regulation allows for more flexibility in the thematic concentration of resources, as compared to the requirements established in the CPR and makes the implementation of the JTF smoother, restrictions regarding the modification and functioning of its programmes are removed. Moreover, the Commission encourages Member States to adopt performance-based mechanisms for expenditure reporting and reimbursement, such as Simplified Cost Options or Financing Not Linked to Costs. Higher pre-financing rates provide more liquidity at the start of the period, potentially reducing reliance on national pre-financing and easing the start of projects. Extended eligibility deadlines, simplified rules and higher co-financing rates can affect the timing of payments and reduce the risk of decommitment. All these amendments to Cohesion Policy rules should make easier and promote the reprogramming of resources towards the new priority areas identified by the European Commission.



This infographic was created using Copilot and has been verified by the author.

A renewed Cohesion Policy for the 2028-2034 programming period

As the current programming period is in its second half, negotiations are ongoing on the EU budget for the period 2028-2034, which is planned to be around EUR 2 trillion. According to the first proposals of the European Commission, approximately EUR 450 billion are planned to be allocated to Cohesion Policy, of which at least EUR 218 billion will be destined for less developed regions. Provisions are planned for specific measures targeted at cities, rural areas, Eastern border regions and islands. Key points of the proposal also

include an increased flexibility of the policy and the focus on long-term objectives, with reduced thematic concentration to allow regions define strategies more in line with their local needs. In addition, plans for managing EU funds will be combined and incorporated in a reduced number of programmes, which should reduce the overall administrative burden for national and regional authorities. Further boost will be given to the use of financial instruments as well as to cooperation with international financial institutions, such as the European Investment Bank and the European Bank for Reconstruction and Development.

Cohesion Policy stakeholders pointed out some critical aspects of the proposal. These include the risk of regions being excluded from the shaping of national and regional programmes, if only Single National Plans will be defined at the Member State level. As well as the risk of having financial resources for local authorities halted when national authorities fail to meet overarching conditionalities. Finally, the possibility of using cohesion funds to finance new priority areas, like defence, might divert the focus from the original objectives of Cohesion Policy, namely the reduction of disparities between regions and the support to long-term regional development.

Conclusions

Cohesion Policy is one of the most strategic and concrete EU investment instrument, channelling a significant share of the EU budget into fostering growth, competitiveness and structural transformation. By targeting innovation, skills, infrastructure and the green and digital transitions, it operates as a long-term territorial development tool supporting business ecosystems and improving the conditions for private investment. Nevertheless, the rapid shift in Europe's risk and opportunity landscape—from geopolitical shocks to climate challenges, housing affordability problems and technological competition—means that the policies planned must be regularly recalibrated to be effective and respond to territorial needs. Future reforms will, therefore, need to seek a balance between integrating new priorities and preserving the core mission of Cohesion Policy, safeguarding its central objective of reducing regional disparities and securing sustainable, place-based growth across the EU.

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