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Athanasia Mouriki

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The European Union towards Cohesion Challenges: What's the Next Step?¹

Athanasia Mouriki²

Abstract

Considering the important percentage of the annual budget spent on cohesion policy, this policy brief examines what it's the cohesion policy of the EU, the problems the Union is facing in this domain and the actions that have been taken. Cohesion policy's is aiming to eliminate imbalances between countries and regions. Nevertheless, a variety of issues observed on the achievement of this objection are being analyzed in this policy paper. The East-West divide, the North-South divide and the disparities between urban centers (capitals or large cities) and rural areas are the most severe issues. The "New Cohesion Policy 2021-2027" is trying to give concrete solutions. This policy brief recommends: More financial support, monitoring, spread the spirit of a united EU, avoid stigmatizing member states, and turning cohesion policy into an exclusive EU competence.

Keywords: Cohesion policy, Budget Policy, Cohesion challenges, New Cohesion Policy 2021-2027.

Introduction

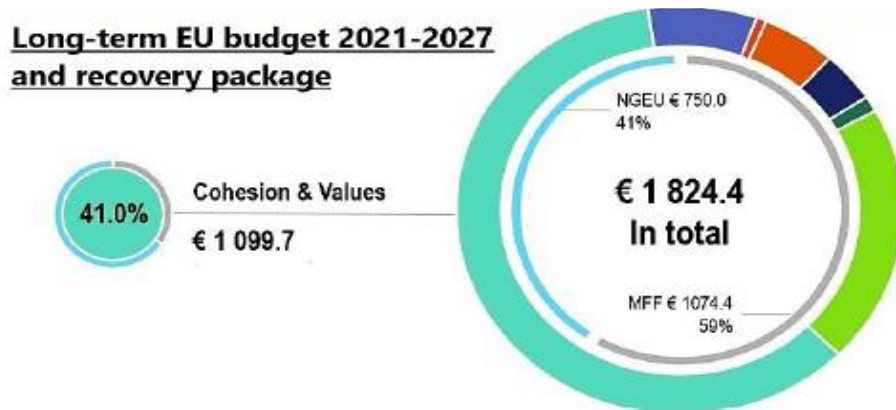
Examining both the long-term and annual budgets adopted by the European Union, it is notable that the amounts spent on "cohesion" represent a significant part of the overall budget. Out of a total of €1.8 trillion for the long-term budget 2021–2027, the European Union intends to spend more than 30% on its Cohesion Policy (Jaganmohan, 2021). But what is meant by cohesion? What are the Union's main goals for its cohesion policy? Why is this policy the subject of such high spending?

"Initially, "cohesion policy" is the European Union's policy that aims to eliminate the gaps between member states as well as between various areas and regions within the same country. Through cohesion policy, the EU intends to lessen the economic, social and territorial disparities among its regions." (Kolodziejcki, 2022). The EU supports underperforming member states and regions with funds provided by the European Structural and Investment Funds (European Investment Bank, European Cohesion Fund, European Social Fund, European Maritime and Fisheries Fund, European Regional Development Fund, Just Transition Fund, European Agriculture Fund for Rural Development). In order to handle funding for cohesion, the European Commission cooperates with the regional or national authorities (EUR-lex, n.d.).

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² Department of International and European Studies, University of Piraeus, Greece.

Figure 1: Multiannual Financial Framework (2021)



Source: Ministry of Finance: Multiannual financial framework. Available at: <https://www.minfin.bg/en/877> (Accessed: 13/11/2022).

Article 174 Treaty of Lisbon

“[...] The Union shall develop and pursue its actions leading to the strengthening of its economic, social and territorial cohesion.

The Union shall aim at reducing disparities between the levels of development of the various regions and the backwardness of the least favored regions. Among the regions concerned, particular attention shall be paid to rural areas, areas affected by industrial transition, and regions which suffer from severe and permanent natural or demographic handicaps such as the northernmost regions with very low population density and island, cross-border and mountain regions.”

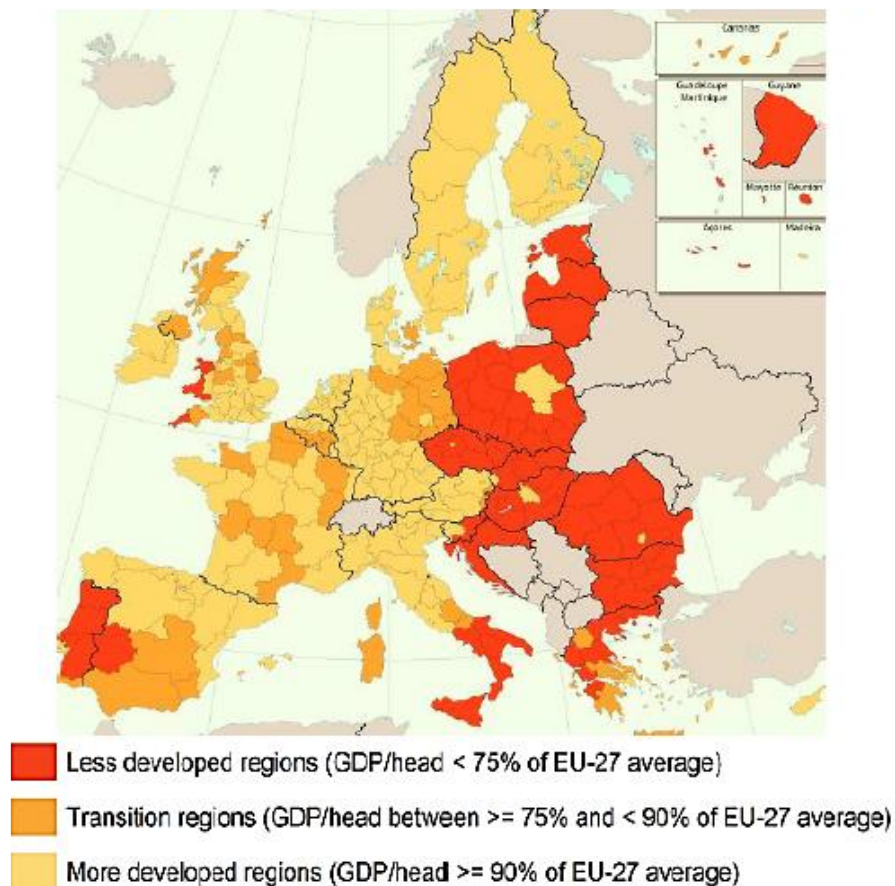
(Official Journal of the European Union, 2008)

Concerning the EU as a whole

In terms of cohesion, EU Member States are divided into two groups. This division appears as an east-west divide. The first group consists of the Western and Northern European states, the wealthiest EU members, whose GDP per capita is above Europe's average. These states benefit from advanced education, enhanced employment opportunities, better administration, and improved health systems (Plateau et al., 2019). Moreover, the citizens of these countries feel part of the EU and usually oppose Euroscepticism. The second group consists of the Eastern and Southern European states that are

underperforming compared to the states of the first group, and their GDP per capita is below Europe's average. Performance in inequality, poverty, health, education, employment, and governance is significantly weak. Interestingly, the majority of the "weaker" countries are the most recent additions to the EU, entering between 2000 and 2013 (Plateau et al., 2019). These countries often feel isolated and excluded from the EU. As a result, populist and eurosceptic movements frequently appear, forcing these states to swing between east and west. This east-west division is more than apparent in the map that follows.

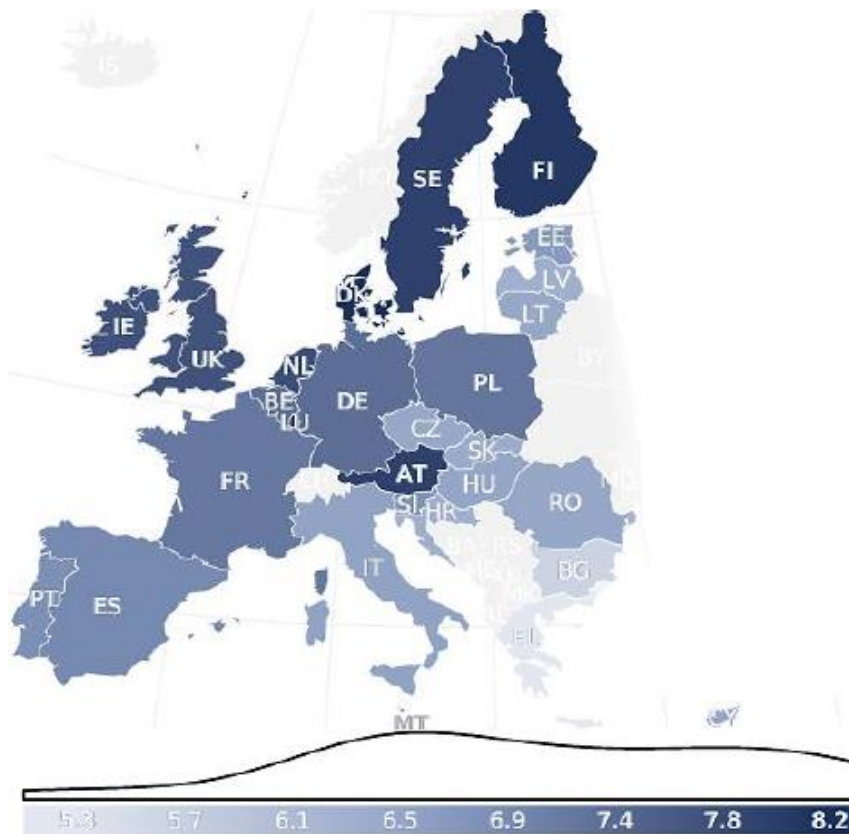
Figure 2: Map of Cohesion Regions 2014-2020



Source: Eurostat (2020). Available at: <https://ec.europa.eu/eurostat/web/cohesion-policy-indicators/context/cohesion-regions> (Accessed: 14/12/2022).

Generalizing the problem, North-West Member States benefit from a higher quality of life than South-Eastern States. In a Eurofound survey examining citizens' satisfaction with their quality of life, the division was confirmed. The highest-ranking countries were Finland, Sweden, and Denmark, while the lowest-ranking were Greece, Latvia, and Bulgaria (Eurofound, 2016).

Figure 3: European Quality of Life Survey

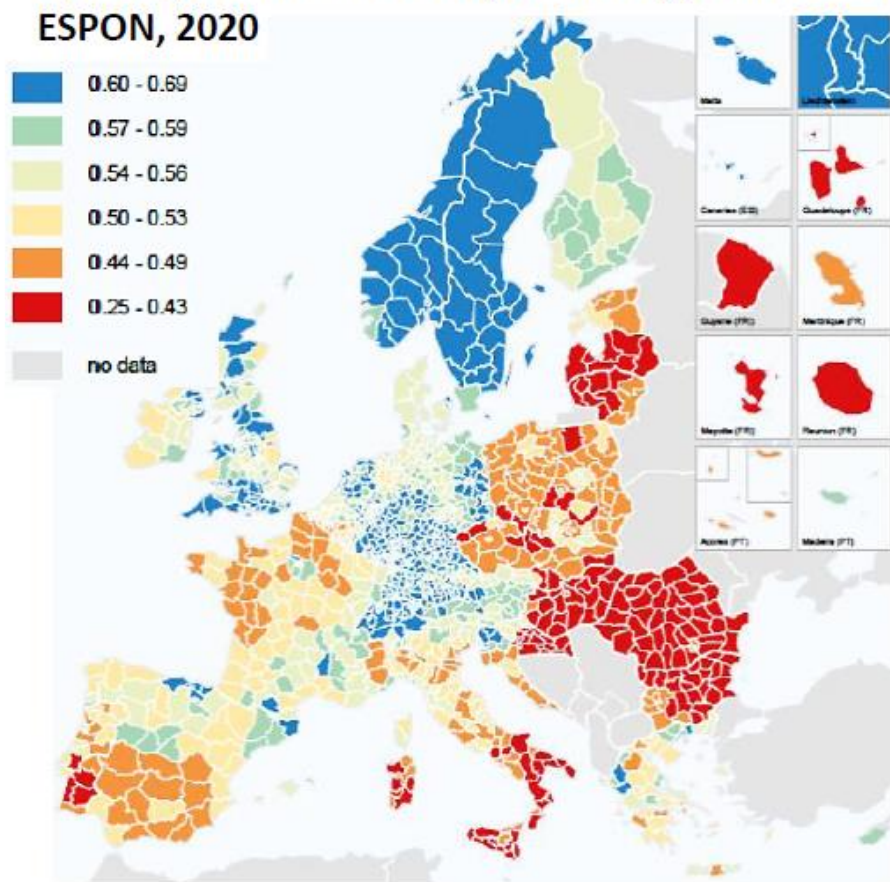


Source: Eurofound (2016). Available at: <https://www.eurofound.europa.eu/data/european-quality-of-life-survey> (Accessed: 27/11/2022)

Concerning the interior of the states

As illustrated in the maps, differences occur not only between countries but also within each country. Internal regional disparities appear between less developed and more developed regions. Particularly, differences are being spotted between large urban centers, especially capitals or large cities, and rural areas. Capital regions have experienced faster growth, strengthening their position as centers of innovation and economic activity. On the other hand, many rural areas are falling behind due to inadequate assistance in development and research and the ineffectiveness of regional innovation processes. (EIB, 2022). Those disparities are reflected in the quality of life that each region enjoys, as pictured in the map below. Even in terms of life expectancy, it is higher in urban areas comparing to rural areas (European Commission, 2022).

Figure 4: Quality of life in Europe at Regional Level



Source: Böhme, K. et al. (2021). Available at: <https://cor.europa.eu/en/engage/studies/Documents/Cohesion-as-an-Overall-Value-of-the-European-Union/cohesion-spirit.pdf> (Accessed: 27/12/2022).

New Cohesion Policy (2021-2027). What Changes?

Despite the stronger cohesion in 2019 compared to 2007, the EU is constantly evolving, trying to fulfill its visions. The new cohesion policy for 2021-2027 aims to fill any gaps and improve the effectiveness of the policy in eliminating imbalances between countries and regions (European Commission, n.d.). More precisely, “The EU cohesion policy for the Multiannual Financial Framework 2021-2027 aims to create a reformed regional development and cohesion policy focusing on five objectives:

“An EU:

1. smarter and more competitive (through innovation and digitization)
2. greener (shifting to a net-zero carbon economy)
3. more connected (by promoting mobility)
4. more social and inclusive

5. closer to citizens (by encouraging the development of diverse territorial types in an integrated and sustainable approach)” (European Commission, n.d.).

The funds responsible for meeting these objectives are the Cohesion Fund, the European Social Fund+, the Just Transition Fund, the European Regional Development Fund, and the Interreg programs (European Commission, n.d.).

“Implementing this new plan, the EU will:

- reinforce areas damaged by the socioeconomic consequences of the shift toward climate neutrality
- promote digitalization by encouraging digital literacy, easing internet access, and investing in IT equipment
- handle demographic issues
- safeguard regions that are in danger of falling into development pitfalls.
- be better equipped to adapt to changing circumstances and unforeseen crises, allowing greater flexibility in resource allocation, planning, and crisis management” (European Commission, 2022).

Recommendations

Although the new cohesion policy 2021-2027 introduces substantial and necessary adjustments, there is still more to be done.

More financial support

In order to assist the underperforming Member States and regions, the Union should keep providing its ever-increasing financial assistance. Despite the creation of various funds responsible for financial support for "cohesion" and the Union's generosity on funding, more needs to be done. It is necessary that the Union further increase the amounts spent on cohesion policy while also allocating a constantly larger percentage of its budget to this particular objective. Unquestionably, states and regions may only recover through economic support, and the Union should be responsible for providing sufficient funding, through the already existing European Funds (Zerka et al., 2020).

Monitoring

In order to guarantee the adequate distribution and management of the funding, it is essential to establish a more efficient monitoring mechanism. Despite the European Commission's involvement in the monitoring process, the Union's funding is not always spent effectively. We assume, therefore, that a stricter and more regular supervision of the management of funds is vital to ensure that each

region and each country absorbs funds effectively and efficiently. This stricter monitoring can be done either by the European Commission (which already has some responsibilities in this field) or by a new body responsible only for supervision and coordination matters.

Spread the spirit of the united EU

European political leaders are responsible for establishing a strong and united EU. Leaders should communicate through interviews and statements that a strong EU will equally benefit ALL member states. Cohesion problems can be overcome only within a union of partners, while euroscepticism and rivalries only deepen disparities among member states. Progress is just a matter of time when citizens of all states trust the EU.

Avoid stigmatizing member states

As mentioned, the answer to cohesion challenges is unity. Northern-Western states, which perform well, should not stigmatize and isolate Southern-Eastern members. In particular, they should not assume that all economies in the South are similarly fragile, but instead focus on their individual weaknesses, which demand special solutions. The EU as a whole and each country individually should acknowledge each other's equality as partners. Contrary to what is frequently perceived by wealthier members, supporting struggling economies is not "charity" but a generous effort to strengthen the EU (Zerka et al., 2020).

Turning Cohesion Policy into an exclusive EU competence

As mentioned previously, states tend to act in accordance with their individual interests, often without considering the benefits of the Union. Therefore, it is proposed that cohesion be a domain where the EU will have exclusive competence, while the Member States will have no involvement in policymaking. This transition to "exclusive competence" will not be easy, but states must be convinced that cohesion problems can be overcome only by ceding power to the Union. The EU institutions will be responsible for deciding, distributing, and supervising funding in a way more balanced and fair to all member states.

Regional policy, however, should remain a shared competence of the Union and its members. Governments are very capable at decision-making on underperforming regions within their country since they understand better than an EU institution the vulnerabilities and weaknesses of each region. The transition to exclusive competence should only concern cohesion problems between different states.

Conclusion

European Union leaders have acknowledged the existence of cohesion challenges. In an attempt to overcome these issues, the Union has been spending significant percentages of its annual budget on its cohesion policy. Going one step further on what needs to be done, there are some crucial proposals mentioned in this policy brief: more financing support, monitoring of expenditure and reinforcement of the 'European identity'. By strengthening the European spirit and the "we" of European leaders and citizens, cohesion will be enhanced leaving a European Union powerful, united and more independent.

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