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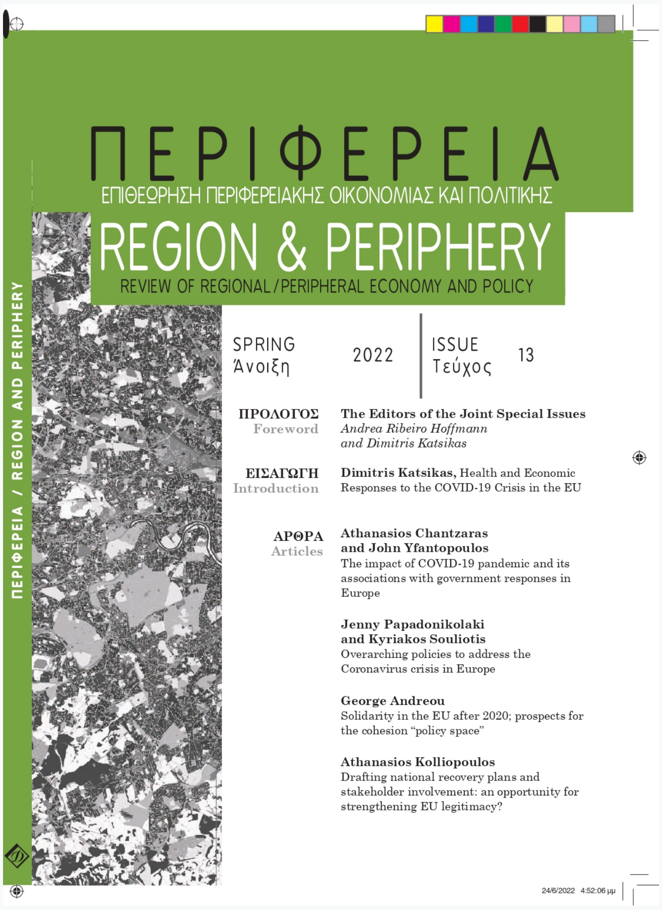

Η αλληλεγγύη στην ΕΕ μετά το 2020• οι προοπτικές του «χώρου πολιτικής της συνοχής»

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Solidarity in the EU after 2020; prospects for the cohesion "policy space"

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Abstract

In 2020, the EU established the "Recovery and Resilience Facility" (RRF), which aims at promoting its economic, social and territorial cohesion. This development has had a significant impact on the institutional architecture of cohesion policy, which is widely viewed as the main "EU solidarity tool". The goal of this paper is to map the institutional configuration of "old" and "new" funding programmes devoted to the promotion of cohesion and solidarity in Europe through the lenses of public policy analysis and historical institutionalism. It is argued that, despite its impressive redistributive impact in territorial terms, the new Facility does not represent a break with the past when it comes to the quality of its solidarity content. On top of that, by adding RRF in a "cohesion policy space" burdened with old and new policy goals and means and lacking a clear territorial and social focus, EU actors have further undermined both the coherence and the solidarity impact of "old" cohesion policy.

KEY-WORDS: EU budget, solidarity, public policy, cohesion policy, Recovery and Resilience Facility

Η αλληλεγγύη στην ΕΕ μετά το 2020· οι προοπτικές του «χώρου πολιτικής της συνοχής»

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Περίληψη

Το 2020, η ΕΕ εγκαθίδρυσε το «Ταμείο Ανάκαμψης και Ανθεκτικότητας» (ΤΑΑ), το οποίο αποσκοπεί στην προώθηση της οικονομικής, κοινωνικής και εδαφικής της συνοχής. Η εξέλιξη αυτή είχε σοβαρές επιπτώσεις για την θεσμική αρχιτεκτονική της πολιτικής συνοχής, η οποία θεωρείται ως το κύριο «εργαλείο αλληλεγγύης» της ΕΕ. Στόχος του παρόντος άρθου είναι να χαρτογραφήσει τη θεσμική διάθρωση των «παλαιών» και των «νέων» χρηματοδοτικών προγραμμάτων που εστιάζονται στην προώθηση της συνοχής και της αλληλεγγύης στην Ευρώπη μέσω της ανάλυσης δημόσιας πολιτικής και του ιστορικού θεσμισμού. Υποστηρίζεται ότι, παρά την εντυπωσιακή αναδιανεμητική του επίδοση σε εδαφικούς όρους, το νέο Ταμείο δεν αντιπροσωπεύει μια ρήξη με το παρελθόν όσον αφορά το περιεχόμενο της αλληλεγγύης που πρεσβεύει. Επιπροσθέτως, η συμπερίληψη του ΤΑΑ στον «χώρο πολιτικής της συνοχής» -ο οποίος είναι ήδη επιβαρυμένος με παλαιούς και νέους στόχους πολιτικής και στερείται μιας σαφούς εφαφικής και κοινωνικής εστίασης- υποβαθμίζει περαιτέρω τη σαφήνεια και την αλληλεγγύη της «παλαιάς» πολιτικής συνοχής.

ΛΕΞΕΙΣ-ΚΛΕΙΔΙΑ: Προϋπολογισμός της ΕΕ, αλληλεγγύη, δημόσια πολιτική, πολιτική συνοχής, Ταμείο Ανάκαμψης και Ανθεκτικότητας

1. Introduction

EU Cohesion policy -a constellation of variable mixes of European and national sectoral policies serving the objective of economic, social and territorial cohesion- is widely viewed as the main "EU solidarity tool". During the last two decades, the complex cohesion 'policy space' became increasingly linked with the EU's strategic programming framework; this "strategic turn" undermined the territorial focus of cohesion policy, had a significant cost in terms of policy coherence and went hand in hand with a diminution of the financial envelope of cohesion. The 2020 budgetary reform did not essentially affect the institutional architecture of the 'old' cohesion policy space and did not increase its budget. Instead, in its attempt to mitigate the economic and social impact of the coronavirus crisis, the EU chose to enhance its Multiannual Financial Framework through the establishment of a new, unprecedented temporary recovery instrument called "NextGenerationEU". The centerpiece of "NextGenerationEU" is the «Recovery and Resilience Facility» (RPF), which also aims at promoting the Union's economic, social and territorial cohesion. The goal of this paper is to map the institutional configuration of "old" and "new" funding programmes devoted to the promotion of cohesion and solidarity in Europe through the lenses of public policy analysis and historical institutionalism. It is argued that, despite its impressive redistributive impact in territorial terms, the new Facility does not represent a break with the past when it comes to the quality of its solidarity content. On top of that, by adding RRF in a cohesion policy space burdened with old and new policy goals and means and lacking a clear territorial and social focus, EU actors have further undermined both the coherence and the solidarity of 'old' cohesion policy. The paper starts with a discussion of the concept of solidarity and its application in the EU and its budget; an analysis of the creation and the evolution of cohesion policy space follows; then, the transformative impact of the 2020 reform on the cohesion policy space and its solidarity elements is appraised; the last section concludes.

2. Solidarity in the European Union

Solidarity (from the Latin solidus, a firm and compact body) is a multifaceted concept. Fundamentally, solidarity refers to the set of feelings of belonging together which supports attitudes of mutual acceptance, cooperation, and support (Ferrera and Burelli 2021: 99). However, it is a highly contested and fragile concept because it relies on preconditions that it cannot guarantee by itself -a common feeling of belonging, a common identity, shared action, or a common belief. Discussions about solidarity are thus linked to questions about the social contract, the legitimacy of political systems, and the rules for participating in a political community. They also revolve around the questions of who the actors of solidarity are, what unites them, and what they owe to each other.

The nation-state is the main institutional framework for solidarity in the world. National identity has created a sense of common destiny and belonging, and this allowed for the institutionalization and the expansion of numerous national solidarity mechanisms grouped under the term "welfare state". In this sense, national solidarity can be considered as "first-order solidarity" because it relies on strong social ties, shared values and customs, and a high level of public trust. In contrast, solidarity in the European Union is less developed and is not founded on the same forms of legitimacy. As a Union of states and citizens, the EU relies both on indirect and direct political legitimacy – and, it can be argued, more on the former than on the latter. EU solidarity is thus "second-order" and is based primarily on reciprocity or the enlightened self-interest of EU member states (that recognize that expressions of solidarity are in their own interest) (Pornschlegel 2021). In this line of argument, it is highly plausible to assume that developing forms of inter-state solidarity in the EU is a far easier task than developing forms of inter-personal solidarity.

Solidarity among states is inherently different from solidarity between individuals and members of communities: it refers to the cooperative spirit that member states (through their governments) are able to display in certain circumstances. This may include financial solidarity. However, inter-state redistributive policies must be at the minimum indirectly legitimated by citizens (Barbier 2012: 3). Redistributive considerations, in fact, are a key part of existing federal unions, in the sense that the constituent states are willing to transfer some of their competences to the central level in exchange for redistributive mechanisms. Generally speaking, equity-based redistribution can be viewed in two dimensions, interpersonal and interstate (or interregional). Interpersonal (or intra-jurisdictional) redistribution focuses on the welfare of each separate member of a political community, and thus concerns the reduction of inequalities between individuals. Interstate (or interjurisdictional) dimension of redistribution refers to the welfare of the average citizen of each constituent state of a federation, and therefore relates to the reduction of disparities between jurisdictions (be it countries or regions) (Koutsiaras and Andreou 2004: 4).

Compared to the national level, the quality of solidarity-based relationships between European countries and between European citizens is poor. There are several mechanisms related to interstate solidarity at the Union level (see below), but almost no interpersonal solidarity between citizens, let alone mechanisms. The scarcity of interpersonal solidarity in the EU can be attributed to the tendency of EU institutions to favor negative integration - i.e. the reduction of trade barriers, market liberalization and deregulation - at the expense of positive integration - i.e. common policies aiming at shaping the conditions under which markets operate (Pinder 1968). In other words, while European countries were able to agree on opening their markets to each other and to the outside world, they continue to find it impossible to define common principles of social justice and to devise common instruments of social solidarity. Consequently, : a) the social dimension of European integration has relied on coordination of national policies, rather than regulatory intervention, let alone public spending; and b) EU social policy has been law and court-driven, marked by policy immobilism at the European level and negative market integration, which simultaneously constrains national social policies (Leibfried 2010). Since the early 1990s, developing interpersonal solidarity in the EU has been further inhibited by the domination of a post-Maastricht ethos fundamentally based on national responsibility and on implicit moral judgements about fiscal 'sins' and 'virtues' (Dyson 2014, Tsoukalis 2016). According to this policy paradigm, the current EMU framework is essentially well-designed and structural reform is primarily a matter of doing one's homework. If, however, adjustment is a matter of national homework and rule-compliance, then inter-personal solidarity is not really needed in the Eurozone and the EU.

Under the EMU governance framework, EU intervention in national systems has been confined to measures of coordination and the emphasis of the political discourse is shifting towards the need to invest in the ability of individuals and communities to survive in intensified international competition. Successive EU coordination strategies established over the last three decades have been centered on the goal of simultaneously enhancing European competitiveness and solidarity. In 2000, the Lisbon Strategy was presented as a "positive strategy which combines competitiveness and social cohesion" and set the strategic goal for the EU of becoming "the most competitive and dynamic knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion" (European Council 2000: 1-2). In 2010, in turn, the Europe 2020 Strategy was portrayed as "a strategy for smart, sustainable and inclusive growth". Under this "competitive solidarity" approach, the public actors should not seek to protect the weak from the market, but to invest through the market and with the market in order to enhance in the productive potential of individuals and societies (Streeck 1999: 6). The need for the institutionalization of a limited form of inter-state solidarity in the EU is thus recognized; nevertheless, European solidarity instruments must take the form of economic (structural) policies aiming at raising the relative and absolute performance of the European economy (Chiocchetti and Allemand 2019: 6).

Fiscal solidarity in the EU is limited. In 2019, EU spending amounted to 159,1 billion euros, representing 2,1% of EU Member States' total general government spending and 1,0% of their combined gross national income (GNI); By comparison, domestic budgets collectively represent between 30% and 40% of the Union's GNI. Roughly 71% of EU budget expenditure was directed to the Common Agricultural Policy (CAP) and cohesion policy (37% and 34% respectively), while policies promoting the overall competitiveness of the EU absorbed another 14%. Expenditure on competitiveness (i.e. on research and trans-European networks) is widely perceived as distributive or allocative, while EU actions in agriculture and cohesion are considered by many to be redistributive (Laffan and Lindner 2020). However, apart from some income support components of the CAP, interpersonal redistribution is absent from the EU - the rule instead is inter-regional or inter-country redistribution. By contrast, interpersonal redistribution in the EU member states (in the form of various social protection benefits) amounts to more than 25% of their GNI.

3. The evolution of cohesion policy space, 1989-2020

Given that employment and social policies remain under the competence of EU member states, EU cohesion policy – a complex set of expenditure instruments serving the objective of "economic, social and territorial cohesion" - is widely viewed as the main "EU solidarity tool". Cohesion and solidarity between member states are fundamental values of the European Union (EU), recognized in Article 3 of the Treaty on the Functioning of the EU (TFEU). As defined in the Treaty (Articles 174-178 TFEU), cohesion is an imprecise and nebulous concept that is open to multiple interpretations. Emphasis is placed on the economic dimension of the term, the reduction of the disparities of levels of development between regions and countries, whereas no definition of social cohesion is provided. It can be argued that the goal of cohesion is only marginally linked to the traditional notion of economic solidarity. Indeed, cohesion is distinct from the broader concept of equity, which relates to the narrowing of the primary income gap between individuals through taxes and transfers. Emphasis is instead placed on improving economic efficiency by using a variety of fiscal and non-fiscal instruments. Thus, the Community and member states intend to improve the allocation of resources across the territory of the European Union, and in the long run, to ensure equal opportunities for the various economic actors. In other words, cohesion policy focuses on the reduction of inter-country and inter-regional disparities, while national policies and welfare systems are meant to take care of inter-personal disparities, including the subsidization of incomes and consumption (Tsoukalis 1998).

The official mission of cohesion policy is to narrow the gap in development levels between the EU regions. However, reality is far more complex; the creation and the evolution of cohesion policy has been inextricably linked with the progress of European integration and the inter-state compromises accompanying it. Cohesion policy has indeed been linked with different aspects of EU integration; each of these linkages has had crucial fiscal and political implications and has decisively affected the ends and the means of the cohesion policy regime. In hindsight, the most influential sources of exogenously driven change have been the Southern enlargement and the single market; the EMU project; the Eastern enlargement, the Lisbon Strategy; Europe 2020; the new economic governance (Andreou 2016: 333); and, more recently, the Covid-19 pandemic.

Every 'policy' is in fact a complex regime of ends and means. Therefore, in order to trace and appraise the development of a particular policy over time, one has to a) identify its distinct components, b) study the interrelationships that develop among them and c) detect the changes that take place at different rates and can result from activities endogenous or exogenous to the policy under examination (Hall 1993). According to Hall, each type of policy component changes with different frequency and for different reasons. More specifically:

- When policy calibrations change, first-order changes occur, which are incremental in nature and are due to endogenous factors.
- When policy tools change, second-order changes of incremental nature occur, also owing to endogenous factors.
- Finally, when the dominant «policy paradigm» is revised, third-order changes take place due to external factors.

M. Howlett and B. Cashore (2009, pp. 38-39) formulated a more sophisticated approach to policy components, arguing that any public policy is a complex set of goals and means that are formulated at three different levels of abstraction. Consequently, every public policy is composed of six distinct elements. On the one hand, objectives are divided into general objectives (abstract ideas that govern the general orientation of a public policy), operational objectives and specific terms (practical requirements for the conduct of a public policy). On the other hand, means are divided into organizational principles (general rules governing the implementation of a public policy), mechanisms (different policy tools that are mobilized) and configurations (different ways of using policy tools).

Studying complex policy regimes is further facilitated by the concept of policy space. The latter refers to a specific group of policies, as well as to the institutional embodiments of the latter. Each of the policies contained within this space is so closely interlinked with the rest that it becomes impossible to describe or analyze it without also examining the components of the whole set. The structure of a policy space includes both the internal arrangements of its components and the relations and linkages that develop among them. Applying the concept of policy space in the study of public policies makes possible to integrate the substantive and institutional traits of policies in a single whole; moreover, it facilitates the study of the way(s) the internal structure of a policy domain changes over time (Hooghe 1996b: 94-95). Moreover, from a historical institutionalist perspective, political institutions are not only periodically contested; they are the object of constant struggle, as actors attempt to gain advantage by interpreting or redirecting institutions in pursuit of their goals, or by undermining or evading rules that clash with their interests. Gradual change takes different forms; Streeck and Thelen (2005: 19-30) classify five modes of gradual but potentially transformative change: displacement (initially dominant institutions are being displaced by others); layering (new layers of institutions are added); drift (institutions are progressively weakened and rendered ineffective); conversion (institutions assume different functions than the ones they were originally exercising); and exhaustion (institutions gradually wither and die).

Cohesion policy is the spatial configuration of a variety of sectoral policies, each of which is organized according to particular boundary and decision rules. The goal of cohesion policy is to select and coordinate sectoral policy initiatives that are instrumental in developing a specific territorial setting –region, subregion, area, or country. EU cohesion programmes draw simultaneously from different sectoral policies, such as research and development, industrial policy, education and vocational training, social inclusion policies, environment, transport, energy, agriculture, spatial planning etc. Policy rules and processes differ both at the European and the national level and some policies are more Europeanized than others. When all these differences are taken together, cohesion policy emerges as a complex constellation of variable mixes of European and national sectoral policies (Hooghe 1996a: 10-11).

Cohesion policy space emerged between 1985 and 1989. In 1985, the inclusion of the principle of cohesion in the Treaty was accompanied by the decision to mobilize three pre-existing “Structural Funds” [the European Regional Development Fund (ERDF), the European Social Fund (ESF) and the Guidance Section of the European Agricultural Guidance and Guaranty Fund (EAGGF)] in the name of cohesion. Then, the landmark budgetary reform of 1988 introduced the concept of multi-annual fiscal planning and endowed the Structural Funds with a substantial budget and a multi-annual governance framework based on the principles of concentration, partnership, programming and additionality. The cumulative effect of these processes was the foundation of a new policy space that was put into operation during the 1989-1993 programming cycle (Table 1).

Table 1: The components of cohesion policy space, 1989-1993

Policy Content				
		High Level Abstraction	*Programme Level Operationalization*	*Specific on-the-ground Measures*
Policy Focus	Policy Ends or Aims	**GOALS:** - economic cohesion - social cohesion (undefined); emphasis on employment creation	**OBJECTIVES**: - inter-regional convergence in GDP per capita - converting the regions seriously affected by industrial decline - combating long-term unemployment - occupational integration of young people - promotion of rural development	**SETTINGS**: - upgrading of infrastructure - human resources training - combatting social exclusion - business support - investment in R&D - cross-border cooperation
	Policy Means or Tools	**INSTRUMENT LOGIC:** - programming - concentration - partnership - additionality	**MECHANISMS:** - EU Regulations - national legislation - ERDF, ESF, EAGGF, EIB - national funding instruments - private investment	**CALIBRATIONS:** -Community Support Frameworks -Operational Programmes - big projects - Community Initiatives

Source: adapted from Andreou (2017)

Between 1994 and 2013, cohesion policy space underwent four successive revisions. The first two of these reforms (which took place in 1994 and 1999 respectively) followed an incremental logic, as the changes introduced did not radically alter either the pre- existing balances between cohesion policy objectives and instruments or the place of cohesion policy in the EU political system (Manzella and Mendez 2009). By contrast, the 2006 and the 2013 reforms introduced a substantial change in the positioning of cohesion policy in the EU budgetary and policy frameworks, by placing increasingly greater emphasis on aligning the activities of the Structural Funds with the “Lisbon Strategy” and its successor “Europe 2020” strategy.[1] This change at the level of policy goals was accompanied by an equally important change in the logic of policy means, as greater emphasis was placed on maximizing policy effectiveness and "added value". It has been argued that these reforms reoriented cohesion policy away from the traditional goal of promoting balanced socio-economic development towards a growth-policy perspective that puts the issue of competitiveness as a prerequisite for regional convergence (Avdikos and Chardas 2016).

More specifically, in 2006, a new strategic planning system was introduced by requiring the design of National Strategic Reference Frameworks (NSRFs) in conformity with Community Strategic Guidelines (CSGs), links with National Reform Programmes, the earmarking of programme spending to specific expenditure categories, and reporting requirements (Bachtler and Mendez 2020: 235). Then, the 2013 reform produced a much stronger alignment of cohesion policy with Europe 2020 and the new economic governance under EMU. At the programming level, a Common Strategic Framework (replacing CSGs) provided guidance on programming and promoted coordination of the various EU spending instruments, while Partnership Contracts (replacing NSRFs) set out the overall contribution, at national level, to the Thematic Objectives and the commitments to concrete actions to deliver Europe 2020 objectives. Moreover, ex ante and ex post conditionality were further enhanced, and new provisions on macroeconomic conditionality established were introduced to ensure that the effectiveness of expenditure under the Common Strategic Framework Funds is underpinned by "sound" fiscal and macroeconomic policies.

The strategic turn of cohesion policy has had a profound impact on the cohesion policy space itself (Table 2). At the level of policy goals, cohesion policy is now focused on the support of structural reforms aiming at increasing the Union's overall competitiveness; at the level of policy means, all cohesion policy instruments operate in accordance with the logic of conditionalities and, in theory at least, are fully integrated in the EU strategic programming (as expressed by the European Semester). If we attempt to compare the 2014-2020 "map" of cohesion policy space with the 1989-1993 map following the taxonomy of Streeck and Thelen (2005), we see ample evidence of new layers of goals and objectives added on top of preexisting ones. This phenomenon has also been described as a "broadening" of the policy aims in which cohesion is expected to contribute (Begg 2010: 79). At the level of means, a) the logic the cohesion policy instrument has undergone substantial changes, owing primarily to the increasing emphasis placed on the principle of sound and efficient management at the expense of the four "traditional principles", b) the number of available policy instruments has increased substantially; and c) policy calibrations have undergone multiple types of change, as some of the early calibrations (like the Community Initiatives) have been abandoned, some new ones (like Research & Innovation Strategies for Smart Specialization) have been added and some of the original calibrations have been converted to new ones (for instance, the Community Support Frameworks have been replaced by the Partnership Agreements). The main finding of this exercise is that, in 2014-2020, goal congestion is evident at the level of policy aims, while increased complexity is manifest at the level of means (Andreou 2017).

Table 2: The components of cohesion policy space, 2014-2020

		Policy Content		
		High Level Abstraction	*Programme Level Operationalization*	*Specific on-the-ground Measures*
Policy Focus	Policy Ends or Aims	**GOALS:** - economic cohesion - social cohesion (undefined); emphasis on employment creation ***- territorial cohesion (undefined)*** ***- promoting smart, sustainable and inclusive growth (“Europe 2020”)***	**OBJECTIVES**: - inter-regional convergence in GDP per capita -uropean territorial cooperation ***- 5 “Europe 2020” goals*** ***- 11 Thematic Objectives*** ***- 3 Horizontal Objectives***	**SETTINGS**: - upgrading of infrastructure - human resources training - combatting social exclusion - business support ***- thematic concentration of resources*** ***- promotion of “good governance”***
	Policy Means or Tools	**INSTRUMENT LOGIC:** - programming - concentration - partnership - additionality - shared management ***- sound and efficient management***	**MECHANISMS:** - ***Common Strategic Framework*** -Country-Specific Recommendations/ Council recommendations - ***National Stability Programmes*** ***- National Reform Programmes*** - national legislation - ERDF, ESF, Cohesion Fund, EIB, EAFRD, EMFF - national funding instruments - private investment	**CALIBRATIONS:** --Partnership Agreements - Operational Programmes ***- big projects*** ***- conditionalities*** ***- national, regional and/or local strategies [Research & Innovation Strategies for Smart Specialization (RIS3) , integrated territorial approach etc.]***

Source: Andreou (2017)

The evolution of the cohesion policy space has gone hand in hand with significant changes in both the size and the allocation of the financial envelope of cohesion. Firstly, EU expenditure in the name of cohesion experienced a spectacular increase between 1989 and 2013, but in 2014-2020 the cohesion budget was reduced for the first time in history. Secondly, since 2006, the intensity of EU aid in less developed regions (funding relative to the population covered) has declined.[2] Thirdly, the share of cohesion funds for the remaining regions has grown from 15,8% in 2007-2013 to 27,6% in 2014-2020 (Andreou 2017).

The changes in cohesion spending can be attributed to several factors. First, since 1999 the negotiations on the future of cohesion policy take place in a policy environment favoring “sound public finances” and “added value”. Second, the divergence of preferences between Eastern and Southern member states has given the richer member states the opportunity to impose a more restrictive approach. Third, in contrast with the earlier rounds of budgetary negotiations in the EU, the 2006 and 2013 negotiations were not integrated into a larger package deal including financial and non-financial issues. Hence, the less wealthy member states did not have the opportunity to maximize their financial gains by exacting side-payments in the name of cohesion (Andreou 2016: 360). Lastly, the dominance of the discourse associated with Lisbon, Europe 2020 and the new economic governance has further legitimized and strengthened the arguments calling for a “contained” cohesion budget transferring resources to poor and rich member states alike.[3] In other words, emphasis on strategy and performance has promoted the distributive interests of the richer member states at the expense of the poorer ones (Andreou 2017).

The 2006 and 2013 reforms represent turning points in the history of the policy, since: a) they introduced new strategic goals that were exogenously defined and not fully compatible with the cohesion objective itself; b) they imposed new centrally and exogenously defined operational objectives, mechanisms and calibrations and c) they put into effect a complex set of conditions and controls, also exogenously defined. This policy shift was officially justified as an attempt to enhance the added value of cohesion policy and to improve the overall policy mix in the EU. However, these changes exacerbate congestion at the level of policy goals and complexity at the level of policy means. Regarding policy goals, cohesion policy has become overloaded with numerous and contradictory objectives, diluting its Treaty focus and reducing the importance of ‘place’ and ‘territory’ in the design and implementation of programmes (Bachtler et al. 2016). This broadening of the mission of the policy was accompanied by a reduction of its financial resources against the backdrop of a marked deterioration of the EU’s regional problem (owing to the Eastern enlargement and the financial, fiscal and economic crisis of the 2010s). The partial decoupling of cohesion policy from its initial mission – reducing territorial inequalities – constitutes a blow for European integration, since it undermines the goal of cohesion, and also diminishes the degree of inter-regional redistribution (and solidarity) that the latter entails (Andreou 2016: 359-360). Concerning policy means, the growing top-down accumulation of more regulatory requirements hinders the ability of countries and regions to address development needs in ways most appropriate to national and regional circumstances (Bachtler et al. 2016).

4. The transformation of cohesion policy space, 2018-2020

On 2 May 2018, the European Commission presented a set of general proposals for the 2021-2027 Multiannual Financial Framework (MFF), which sets out the ceilings of both the EU's annual expenditure as a whole and the sub-categories of budget expenditure for the period 2021-2027. The MFF proposed by the Commission was slightly lower than the MFF 2014-2020 and corresponded to 1,08% of the EU GNI. On the expenditure side, significant cuts in the Common Agricultural and Cohesion Policy were proposed, so that expenditure on all other policies would amount to 33% of the new budget. On the other hand, the Commission recommended: a) a further increase in research and innovation spending and b) the establishment of two new financial instruments to promote reform and stabilization within the Eurozone (see below). The Commission's main argument that the proposed MFF meets the needs of the Union because, firstly, it produces the maximum possible "added value" by focusing on areas where the Union is more effective than the Member States and, secondly, it adopts conditionalities that ensure maximum effectiveness of EU expenditure.

The structure of spending categories (the so-called "Headings") proposed by the Commission differed significantly from the 2014-2020 MFF. Cohesion policy spending was included in "Heading 2" which was titled "Cohesion and values" and was allocated the largest amount of funding within the MFF (€392 billion representing 34.5% of the total). Heading 2 was also the most diversified heading in terms of the types of programme and fund included, since it encompassed expenditure on cohesion (one of the EU's long-standing policies), on an entirely new budgetary instrument supporting Economic and Monetary Union, and on other increasingly important goals, including youth employment, the creative sector, values, equality and the rule of law. Specifically, based on their contribution to a given EU policy area, EU programmes were divided into three 'policy clusters': 1): economic and monetary union (5.7% of the allocation in Heading 2), regional development and cohesion (61.8%), and people, social cohesion and values (31.5%).

Under the cluster dedicated to economic and monetary union, a new instrument linked to the functioning of the Eurozone – the Reform Support Programme (RSP) would coexist with the tiny Pericles programme (to protect the euro against counterfeits). Allocated €22,2 billion over seven years, RSP was designed to support structural reforms in Member States (including those outside the Eurozone) that are important for the convergence and resilience of Member State economies. Eligible reforms would cover various policy areas, such as public financial and asset management, institutional and administrative capacities, service and labour markets, the business environment, education and training, public health and education. The new programme was seen by the Commission as complementary to the cohesion funds and as a way to strengthen the link between the cohesion policy framework and the European Semester cycle (i.e. the main EU policy tool associated with the implementation of Europe 2020 strategy and the EU economic governance). The policy cluster "Regional development and cohesion" would include the European Regional Development Fund, the Cohesion Fund and a small program dedicated to Support to the Turkish-Cypriot Community. The policy cluster "Investing in people, social cohesion and values" would bring together programmes that have a social dimension in common but were previously dispersed across several MFF headings - the European Social Fund+, Erasmus+, European Solidarity Corps, Creative Europe and Justice, Rights and Values Fund. The position of the ESF+ in the new structure met some criticism, as it was seen as a way to separate the fund from cohesion policy (and the shared management method applied to the ERDF and Cohesion Fund) and to undermine the importance of cohesion policy.[4]

Overall, the allocation for the three Structural Funds (the European Agricultural Fund for Rural Development being decoupled from the latter) would decrease by around 10% in real terns; moreover, cohesion budget in the total MFF would fall from 34.1% to 29.2%. However, each fund would be affected differently by this change: the ERDF would increase by 2%, the ESF+ would decrease by 7% and the overall allocation of the Cohesion Fund would decrease by 45%. The Commission justified this cut to by the fact that the goals of the 2004 enlargement have been largely achieved and investment needs have shifted from environmental and transport infrastructure to areas covered by the other programmes and funds, such as research, innovation, education and renewable energy (Sapala 2019).

In terms of policy content, following largely the logic of the 2014 reform, the Commission identified four main features of its proposals for cohesion policy: a) a focus on key investment priorities, where the EU is best placed to deliver (innovation, support to small businesses, digital technologies and industrial modernization, shift towards a low-carbon, circular economy and the fight against climate change)[5]; b) a cohesion policy for all regions and a more tailored approach to regional development; c) fewer, clearer, shorter rules and a more flexible framework; and d) a strengthened link with the European Semester to improve the investment environment in Europe. As in 2014-2020 period, the cohesion budget would fall under shared management between the European Commission and member states (except from the small employment and social innovation strand of ESF+, which would be managed by the Commission).

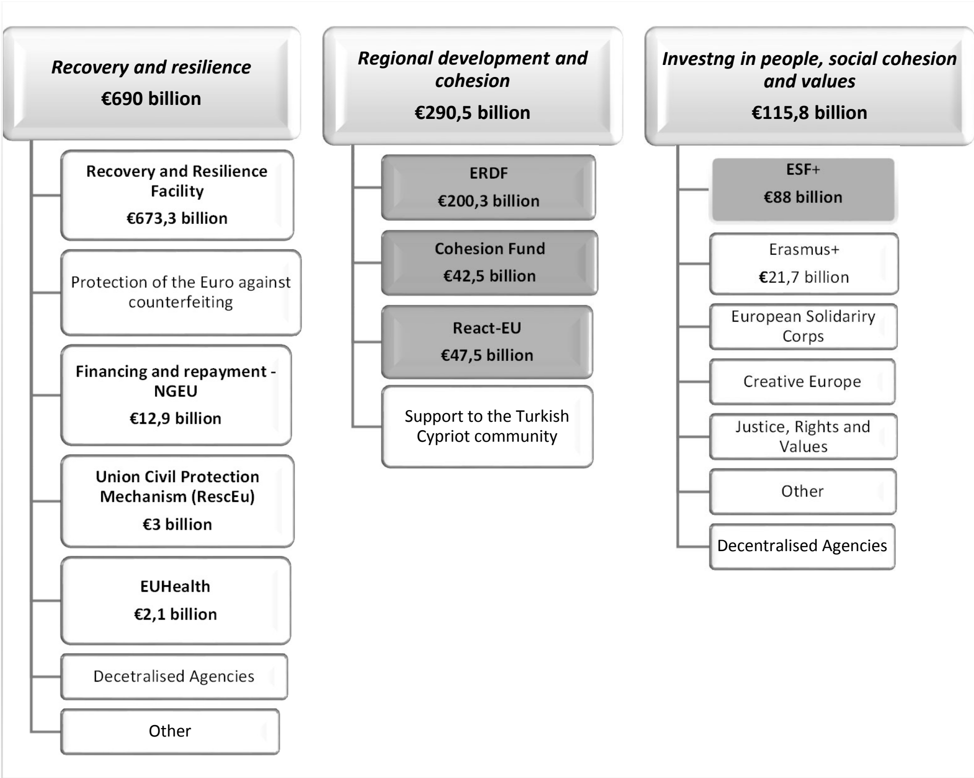
The 2018 package of proposals was followed by a year and a half of painstaking negotiations in the EU Council, a fruitless European Council meeting in February 2020 (when a revied MFF proposal by European Council President Charles Michel that included a further 2% cut of the allocation for cohesion policy failed to achieve consensus) – and the outbreak of the Covid-19 pandemic which triggered radical changes in the EU's financial plans. On 23 April 2020, the European Council asked the Commission to come up with a proposal for a recovery fund of "sufficient magnitude", and to clarify its link to the MFF. This idea was taken up by a Franco - German proposal for a temporary European recovery instrument endowed with €500 billion of grants and by a non-paper from Austria, Denmark, the Netherlands and Sweden proposing an Emergency Recovery Fund based on a 'loans for loans' approach. On 27 May 2020, the Commission presented a comprehensive recovery package; It included the amended proposals for the 2021-2027 MFF and for a decision on the system of own resources, the proposal for a regulation establishing a European Union recovery instrument, Next Generation EU (NGEU), for the years 2021 to 2024,[6] and a proposal to revise the 2014-2020 MFF so as to provide additional resources for urgent investments in relation to the pandemic (or a "bridging solution"). At the same time, the Commission withdrew its proposal of May 2018 for a Reform Support Programme and replaced it with the proposal for a Recovery and Resilience Facility.

Under the new proposal, Heading 2 has been renamed "Cohesion, resilience and values" and will play an important role in the implementation of NGEU. Between 2021 and 2023, €721.9 billion, representing 96.3% of the total NGEU, will be channeled under this Heading through a new policy cluster named "Recovery and Resilience" that will comprise: a) the Recovery and Resilience Facility, the centerpiece of NGEU, b) Recovery Assistance for Cohesion and the Territories of Europe (REACT-EU), and c) the Union Civil Protection Mechanism (rescEU). On the other hand, the Commission withdrew its original proposal for an "economic and monetary union" policy cluster under this Heading. As a result, the MFF and the NGEU resources combined under Heading 2 amount to almost €1.,1 trillion and represent 60.3% of the total resources available for 2021-2027.

In July 2020, as part of a compromise on the future MFF and NGEU, the EU leaders agreed on the financing of cohesion policy and on the level of support for different policy goals and types of regions. This agreement was not changed as a result of the subsequent negotiations between the European Parliament and the Council and was sealed on 17 December 2020. It sets the 2021-2027 MFF ceiling for EU spending on Sub-heading 2a: "Economic, social and territorial cohesion" at €330.3 billion. The total allocation is at a level approximating that of the Commission's first proposal (May 2018) and about 10% lower than its equivalent, Sub-heading 1b, in the 2014-2020 MFF.[7] The cut can be seen as a step towards rebalancing EU spending and reducing the role of spending on cohesion, the share of which in the MFF has changed from 35.7% in the 2007-2013 period to 33.9% in 2014-20207 and 30.7% in 2021-2027. In addition, extra resources financed from NGEU will support the regions the most affected by the crisis caused by the pandemic. The new instrument, REACT-EU, is endowed with €47.5 billion (€2.5 billion less than demanded by the Commission) for the years 2021 and 2022 and will complement actions under the ERDF and the ESF+.[8] This temporary reinforcement will lift the total cohesion policy budget to €377.7 billion, a level comparable to the allocation under the 2014-2020 MFF (€367.5 billion in 2018 prices) (Sapala 2021: 5). As a result, the final structure of Heading 2 has changed significantly compared to the 2018 proposals; however, the budget allocated to the three mainstream Structural Funds remained almost unaffected (Figure 1). More specifically, regarding policy clusters, the budget for policy cluster 'Regional development and cohesion" will increase by more than €48 billion thanks to the inclusion of REACT-EU, while expenditure under policy cluster "Investing in people, social cohesion and values" will decrease by €7.7 billion. Finally, a new financial instrument, the Just Transition Fund (JTF), was put at the disposal of cohesion policy – though its budget was not included in Heading 2, but in Heading 3 – "Natural resources and environment".[9]

Figure 1 – Structure of Heading "Cohesion, resilience and values" -

2018 prices
Includes the Sub-heading 2a "Economic, Social and Territorial Cohesion" (in grey*)



* Sub-heading 2 does not include ESF+ strand "Employment and social innovation" (€ 762 million) which falls under direct management rules.
Source: Sapala (2021:2)

The Recovery and Resilience Facility (RRF) is the flagship instrument of Next Generation EU and aims to promote economic, social and territorial cohesion as well as securing lasting recovery. Its official aim is to facilitate competitiveness, resilience, green and digital transformation, smart, sustainable and inclusive growth, and the stability of the EU's financial systems.

According to Article 4 of its Regulation, the general objective of RRF shall be: *" to promote the Union's economic, social and territorial cohesion..., by mitigating the social and economic impact of that crisis... , by contributing to the implementation of the European Pillar of Social Rights, by supporting the green transition, by contributing to the achievement of the Union's 2030 climate targets and by complying with the objective of EU climate neutrality by 2050 and of the digital transition, thereby contributing to the upward economic and social convergence, restoring and promoting sustainable growth and the integration of the economies of the Union, fostering high quality employment creation, and contributing to the strategic autonomy of the Union ... and generating European added value" (European Parliament and Council 2021: 31).*

RRF concentrates 90% of the total resources of NGEU; it will provide non-repayable financial support and loans to member states to support public investments and reforms, as set out in their National Recovery and Resilience Plans (NRRPs). Its financial envelope (€672,5 billion) is composed of grants (€312.5 billion) and loans (€360 billion). RRF covers policy areas that are structured around six pillars: 1) green transition; 2) digital transformation; 3) Smart, sustainable and inclusive growth (including economic cohesion); 4) Social and territorial cohesion; 5) Health, and economic, social and institutional resilience; and 6) policies for the next generation, children and youth, (including education and skills). NRRPs (to be submitted by April 2021) should propose a congruent set of reforms and public investment projects to be implemented until the end of 2026. At least 37% of the RRFs' total allocation must contribute to mainstreaming climate actions and environmental sustainability; furthermore, at least 20% of the RRF budget must be dedicated to digital expenditure which will contribute to accelerating digital transformation.

The new RRF is subject to both broad and narrow conditionality. At the strategic level, the NRRPs would be fully integrated with the economic governance of the Union. On the one hand, they would be consistent with country-specific challenges and priorities identified in the context of the European Semester, as well as with Council recommendations for Eurozone member states (CCRs). Furthermore, they would comply with the National Reform Programmes under the European Semester, the National Energy and Climate Plans, the territorial just transition plans, the Youth Guarantee implementation plans and, last but not least, the Partnership Agreements and Operational Programmes under cohesion policy (European Parliament and Council 2021). At the operational level, the final NRRPs would be subjected to an *ex ante* assessment by the Commission on the basis of four principles - relevance, effectiveness, efficiency and coherence. Then, in case of a positive assessment, the Commission would elaborate a proposal for a Council implementing decision that would need to be approved by the latter with a qualified majority vote. Finally, the implementation of the Plans would take place under the principle of direct management, which means the Commission will assume full responsibility for their monitoring and evaluation throughout all phases (Corti and Nunez-Ferrer 2021).

The cumulative impact of the 2020 reforms on the cohesion policy space is portrayed in Table 4. The introduction of RRF in the cohesion policy space is a milestone in EU policy-making, as it represents a radical re-interpretation of the cohesion objective. As described in this section, placing pre-existing cohesion policy instruments at the service of EU priorities without a clear spatial dimension (such as the Lisbon Strategy, the Europe 2020 strategy and the new economic governance) is not a new phenomenon. What is new under the current period is that the EU has established a new fiscal support mechanism focusing on stabilization, lacking a clear focus of territorial objectives and reserving no role for the regions in the name of cohesion. In other words, while until 2020 EU policy actors tended to use cohesion policy instruments as “a wallet for other EU policies or goals” (Polverari 2013), the introduction of RRF is the first case of employing the goal of cohesion to create a new and very generous policy instrument that, in fact, is pursuing different policy goals. At the same time, the implementation of MFF introduces a new, sectorally organized and centrally managed governance system that is operating in parallel with an “old”, territorially organized and largely decentralized one. What emerges is a heterogeneous “cohesion and resilience policy space” characterized by a marked duality – and, one might argue, incoherence - both at the level of goals and at the level of means.

Table 4: The components of cohesion and resilience policy space, 2021-2027

<table>
<tr><th colspan="5">Policy Content</th></tr>
<tr><th colspan="2"></th><th>High Level Abstraction</th><th>Programme Level Operationalization</th><th>Specific on-the-ground Measures</th></tr>
<tr><td rowspan="2">Policy Focus</td><td>Policy Ends or Aims</td><td>GOALS:
-economic cohesion
- social cohesion; emphasis on employment creation
- territorial cohesion
- green transition
- digital transition
- resilience and recovery</td><td>OBJECTIVES:
- inter-regional and inter-country convergence in GDP per capita
- European territorial cooperation
- 2050 goals
- green transition strategy
- digital transition strategy
- 5 Thematic Objectives</td><td>SETTINGS:
- upgrading of infrastructure
-human resources training
- combatting social exclusion
- business support
-thematic concentration of resources
-promotion of “good governance”</td></tr>
<tr><td>Policy Means or Tools</td><td>INSTRUMENT LOGIC:
- programming
- concentration
- partnership
- sound and efficient management
- shared management
- direct management</td><td>MECHANISMS:
- Resilience and Recovery Facility
- Common Strategic Framework
-Country-Specific Recommendations/Council recommendations
-EU Regulations
- National Stability Programmes
- National Reform Programmes
- national legislation
- ERDF, ESF+, Cohesion Fund, JTF EIB
- national funding instruments
- private investment</td><td>CALIBRATIONS:
- National Resilience and Recovery Plans
-Territorial Just Transition Plans
-Partnership Agreements
- OPs
- big projects
- conditionalities
- national strategies (RIS3, integrated territorial approach etc.)</td></tr>
</table>

Source: adapted from Howlett and Cashore (2009)

Turning to the issue of solidarity, the establishment of a temporary facility at the central level that will transfer resources to EU member countries to help them face the economic consequences of the pandemic can be viewed as a "second best solution" – the creation of a central capacity being the first best. RRF and the other instruments set in place recently were based on a key principle that made them politically feasible: resources are borrowed together, and spending decisions are taken together (Cottarelli 2021: 23). Compared to the limited forms of solidarity that emerged as result of the Eurozone crisis (and were built on the tried-and-trusted logic of mutualisation of borrowing costs), the establishment of NGEU and RRF points to a more generous form of solidarity because of both its financial magnitude and its disbursement logic: €312,5 billion (out of a total budget of €672,5 billion) will take the form of grants channeled to member states through the EU budget. It can be argued that the nature of Covid-19 crisis provided a stronger rationale for joint EU action, as it allowed for overcoming some of the collective action problems that the EU had faced during the Euro area crisis (such as the debate on moral hazard and the contrast between the Euro area's core and peripheral economies) (Ladi and Tsarouhas 2020: 1052). At the same time, the creation of NGEU was primarily inspired by a logic of enlightened self-interest, with advocates of solidarity stressing the economic rationale of a joint response, due to the interconnectedness of the single market. Accordingly, the dominant EU policy actors availed of the opportunity to integrate the setup of new solidarity mechanisms with the implementation of the main reform strategies adopted at EU level just before the outbreak of the pandemic – i.e. green and digital transition and the promotion of the strategic autonomy of the Union. As a result, the EU expenditure policies for 2021-2027 were incorporated in a mix of long-term investment strategies organized in full conformity with the "competitive solidarity" approach and lacking a visible social dimension.

5. Conclusions

The crisis caused by the Covid-19 pandemic led the EU to agree on the biggest financial package in its history. The establishment of a new stabilization instrument funded by the issuing of common debt at EU level was seen as a historic step in European integration and a clear expression of solidarity. This view is reinforced by the fact that the cross-country allocation of RRF grants strongly correlates with the level of development (Zarvas et.al. 2021), suggesting that the Facility works also as a powerful tool of inter-country redistribution. Nevertheless, the creation of NGEU and RRF did not amount to a change of philosophy either in terms of the EU's strategic priorities or in terms of the mission of the

European budget. In fact, the pandemic crisis has acted as a catalyst for accelerating the implementation of pre-existing EU strategic priorities with the support of a - temporarily reinforced - European budget. Furthermore, the planned increases in EU European expenditure were not legitimized on the basis of any new form of solidarity. On the contrary, EU actors were quick to point out the special and temporary nature of RRF, to justify its activation in the name of economic, social and territorial cohesion (a deliberately vague and ambiguous concept that is only marginally linked to the notion of social solidarity) and to set up strict conditionality mechanisms for the implementation of the relevant National Plans.

The 2020 reform has also had an adverse impact on the coherence and the importance of traditional cohesion policy. By adding RRF in a "cohesion policy space" crowded with old and new policy goals and means and lacking a clear territorial and social dimension, EU actors have further diluted the focus and undermined the inter-regional fiscal impact of cohesion policy. As explained in Section 3, this development follows a long-term policy shift that has been evident since the 2000s. Cohesion policy, hitherto the main expression of EU's fiscal solidarity, does not fit well with the EU's main policy priorities – which follow a sectoral and centralized logic- and no longer enjoys the degree of political support it did during the 1980s and the 1990s. For 2021-2026, RRF and the Structural Funds are going to operate in parallel, funding similar – though not identical - investment activities based on different mechanisms, processes, and conditions. This is however a temporary arrangement; the next budgetary negotiation will be crucial for the future of the "cohesion and resilience" policy space.

Notes

1. These strategies were conceived as a policy (and reform) catalyst enabling the member states to adopt the structural reforms required by their participation in the Eurozone, without endangering subsidiarity - and national competences in the field of social policy in particular Their main delivery mechanism was the open method of coordination (OMC), a halfway house between the Community method and the intergovernmental policy-making (Andreou and Koutsiaras 2004).
2. Aid intensity started out at € 110 per person (at 2011 constant prices) in 1989, increased to € 259 in the EU-15 in the 2000–2006 period, declined to € 188 in the 2007-2013 period – despite the dramatic impact of Eastern enlargement on the EU's "regional problem" - and was reduced further to EUR 180 per person for 2014-2020.
3. In 2003, the Sapir Report -a report on the economy of the European Union written by a panel of renowned experts upon request of the European Commis-

sion- attacked cohesion policy as basically ineffective, costly and unnecessarily bureaucratic and argued for a radical overhaul of EU spending from cohesion policy and agriculture towards R&D and competitiveness (Sapir 2003), thus providing further ammunition to the advocates of a more limited and less territorially focused cohesion policy.

4. The Commission presented a sub-ceiling named 'Economic, social and territorial cohesion' which did cover all three cohesion funds (ERDF, the Cohesion Fund and the ESF+). By contrast, in the 2014-2020 MFF cohesion funds were ring-fenced under sub-heading 1b 'Economic, social and territorial cohesion'. The sub-heading and sub-ceiling look similar in the MFF structure. However, any unallocated margins or appropriations budgeted for programmes under the sub-ceiling may – if necessary – be used for other expenditure of the same heading but outside the sub-ceiling, while appropriations or margins available under one sub-heading cannot be used for expenditure in another heading or sub-heading (Sapala 2019: 6).

5. The ERDF, the ESF+, the Cohesion Fund (and the European Maritime, Fisheries and Aquaculture Fund) will support five policy objectives: green and digital transition, more connected, inclusive and social Europe, and a Europe that is closer to its citizens.

6. Designed to contribute to macroeconomic stabilization, NGEU would be financed not by EU own resources but by funds borrowed on the capital markets by the Commission on behalf of the Union. These will be disbursed up to the end of 2026 and repaid by 31 December 2058 at the latest. The NGEU issuance will increase outstanding Union debt by a multiple of around 15, constituting the largest ever euro-denominated issuance at supranational level.

7. It is worth noting that the Commission abandoned its earlier proposal for the establishment of a Sub-ceiling for cohesion expenditure and reverted to the use of a Sub-heading as in 2014-2020 (see note 4).

8. The REACT EU represents an important additional financial injection for the countries and regions hit by the crisis. The size of this emergency instrument exceeds the size of the Cohesion Fund. Moreover, it has to be committed in a much shorter period. In addition, contrary to the rules applying for the Structural Funds, implementation of measures under REACT-EU does not require co-financing from a member state.

9. The Just Transition Fund aims to provide support to territories facing serious socio-economic challenges arising from the transition towards climate neutrality, thus facilitating the implementation of the European Green Deal. It has an overall budget of € 17.5 billion for 2021-2027. € 7.5 billion will be financed under the MFF and an additional € 10 billion will be financed under Next Generation EU.

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